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Canada. Canteen Funds, Special Committee, 1942

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SESSION 1942

(HOUSE OF COMMONS)

(54)

(SPECIAL COMMITTEE)

—ON—

(CANTEEN FUNDS)

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

THURSDAY, APRIL 30, 1942

TUESDAY, MAY 5, 1942

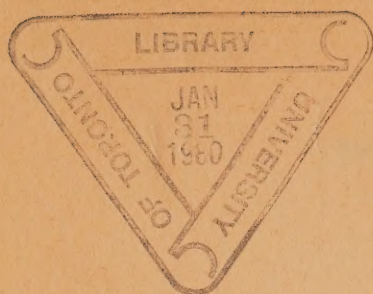
WITNESSES:

Lt.-Col. A. Cairns, representing the Director of Auxiliary Services, Department of National Defence (Army).

Lt.-Col. J. A. de Lalanne, Regimental Funds Board, National Defence (Army).

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942





MEMBERS OF THE COMMITTEE

W. ROSS MACDONALD (*Brantford City*), *Chairman*

Messrs.:

Abbott	Graham	Macmillan
Adamson	Gray	McCuaig
Black (<i>Yukon</i>)	Green	McLean (<i>Simcoe East</i>)
Blanchette	Hallé	Marshall
Booth	Harris (<i>Grey-Bruce</i>)	Massey
Brooks	Hazen	Mutch
Bruce	Isnor	Quelch
Casselman (<i>Grenville-Dundas</i>)	Jackman	Ross (<i>Middlesex East</i>)
Castleden	Johnston (<i>London</i>)	Ross (<i>Souris</i>)
Chambers	Jutras	Sanderson
Claxton	Lapointe (<i>Matapedia-Matane</i>)	Sinclair
Cleaver	Lapointe (<i>Lotbinière</i>)	Sylvestre
Cruikshank	Macdonald (<i>Kingston City</i>)	Tomlinson
Diefenbaker	Macdonald (<i>Halifax</i>)	Tremblay
Emmerson	Macdonald (<i>Brantford City</i>)	Tucker
Factor	MacKenzie (<i>Neepawa</i>)	Turgeon
Fauteux	Mackenzie (<i>Vancouver Centre</i>)	White
Ferron		Whitman
Gillis		Winkler
		Wright

ANTOINE CHASSÉ,
Clerk of the Committee.

ORDERS OF REFERENCE

HOUSE OF COMMONS,

TUESDAY, March 24, 1942.

Resolved,—Whereas it was deemed necessary after the war of 1914-18 to provide legislation for the disposal of canteen funds and the purposes for which such funds were to be utilized for the benefit of ex-servicemen and their dependents.

And whereas by Order in Council dated December 20th, 1940, P.C. 7520 (as amended by P.C. 224 of January 13th, 1941, P.C. 1087 of February, 14th, 1941, and P.C. 1959 of March 24, 1941), a Committee was constituted to inquire into and make recommendations and report to the Minister of National Defence concerning the collection, custody, investment, control and utilization of moneys accruing from the profits of canteens, and certain other related matters as set out in the said Orders in Council; and whereas the said Committee has reported to the Minister of National Defence under date the 30th August, 1941, and has made certain recommendations with regard to the matters referred to it as aforesaid;

And whereas a Sub-Committee of the General Advisory Committee on Demobilization and Rehabilitation, namely the Sub-Committee on the Administration of Special Funds has made an investigation and an interim report with reference to the Administration of Canteen Funds following the war of 1914-18, to which is added the comment of the Sub-Committee thereon and certain recommendations as to the use of canteen profits for the welfare of ex-members of the armed forces of Canada in the present war;

And whereas it is considered desirable in the public interest that the collection, custody and control of canteen funds and the purpose for which they are to be used should be examined, considered and reported on by a Committee of the House;

Therefore be it Resolved:—That a select Committee of the House be appointed to inquire into the collection, custody, investment and control of such moneys as under existing regulations and agreements accrue out of the profits arising from the operation of canteens and other Auxiliary Services and institutes for the benefit of the armed forces of Canada during the present war; and as to whether certain portions of the profits arising from canteens other than the portion of profits for which provision is now made should be paid to the Government of Canada; and the policy and method of management to be adopted in the utilization of the said funds for the benefit of those who have served in the Canadian armed forces and for the benefit of the dependents of such persons; and to report to the House their opinions, observations and recommendations thereon; and to recommend to the House the appropriate legislation to implement such recommendations as the Committee may make.

That the Committee shall consist of the following members: Messrs. Abbott, Adamson, Black (Yukon), Blanchette, Booth, Brooks, Bruce, Castleden, Chambers, Claxton Cleaver Cruickshank Diefenbaekr, Emmerson, Factor, Fauteux, Ferron, Gillis, Graham, Gray, Green, Halle, Harris (Grey-Bruce), Hazen, Isnor, Jackman, Johnston (London), Jutras, Lapointe (Matapedia-Matane), Lapointe (Lotbiniere), Macdonald (Kingston City), Macdonald (Halifax), Macdonald (Brantford City), MacKenzie (Neepawa), Mackenzie (Vancouver Centre), Macmillan, McCuaig, McLean (Simcoe East), Marshall,

Massey, Mutch, Quelch, Ross (Middlesex East), Ross (Souris), Sanderson, Sinclair, Sylvestre, Tomlinson, Tremblay, Tucker, Turgeon, White, Whitman, Winkler, Wright, and that Standing Order 65 be suspended in relation thereto; that the Committee shall have power to send for persons and records and report from time to time.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

MONDAY, April 20, 1942.

Ordered,—That Bill No. 5, An Act to provide for the Reinstatement in Civil Employment of Individuals who enlist for overseas service in His Majesty's Forces or who perform essential war employment, be referred to the *Special Committee set up to deal with the disposiiton of Canteen Funds*.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS

WEDNESDAY, April 22, 1942.

Ordered,—That the name of Mr. Casselman (Grenville-Dundas) be added to the said Committee.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

HOUSE OF COMMONS,

THURSDAY, April 30, 1942.

Ordered,—That the said Committee be empowered to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

Ordered,—That the said Committee be empowered to sit while the House is sitting.

Ordered,—That the quorum of the said Committee be fixed at 12 members.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORT TO THE HOUSE

HOUSE OF COMMONS,

THURSDAY, April 30, 1942.

The Special Committee on Canteen Funds begs leave to present the following as a

FIRST REPORT

Your Committee recommends:

1. That it be empowered to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto;
 2. That it be empowered to sit while the House is sitting;
 3. That the quorum of the Committee be fixed at 12 members.
- All of which is respectfully submitted.

W. R. MACDONALD,
Chairman.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

THURSDAY, April 30, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 10.30 o'clock a.m.

Members present: Messrs. Abbott, Black (*Yukon*), Bruce, Casselman (*Grenville-Dundas*), Castleden, Claxton, Cruickshank, Diefenbaker, Emmerson, Fauteux, Ferron, Gillis, Hazen, Isnor, Jackman, Macdonald (*Halifax*), Macdonald (*Brantford City*), MacKenzie (*Neepawa*), Mackenzie (*Vancouver-Centre*), McCuaig, McLean (*Simcoe East*), Marshall, Mutch, Quelch, Ross (*Middlesex-East*), Ross (*Souris*), Sanderson, Turgeon, White, Whitman, Winkler, Wright.

A quorum being present the Clerk of the Committee called the meeting to order and indicated to the members that the first business on the order of the day was the election of a Chairman. Nominations were therefore invited.

Mr. McCuaig moved, seconded by Mr. Ross (*Middlesex-East*), that Mr. W. Ross Macdonald (*Brantford City*) be elected Chairman.

And the question being put on the said motion, it was unanimously agreed to.

And the Clerk of the Committee having declared Mr. W. Ross Macdonald (*Brantford City*) duly elected, he took the Chair. Mr. Macdonald having expressed his thanks to the members for the honour conferred upon him, the Committee proceeded forthwith with its deliberations.

The Chairman read the Orders of Reference of Tuesday, 24th March, 1942, and Monday, 20th April, 1942.

Debate took place as to the method of procedure. Hon. Ian Mackenzie, Minister of Pensions and National Health, suggested, and the Committee agreed, that the Chairman arrange from time to time the date of each meeting in agreement with the Chairman of the various Committees engaged in the study of problems concerning the welfare and rehabilitation of the men in the Armed Forces in order to avoid any clash in the arrangements of meetings of the various committees in view of the fact that many members served on two or more of these committees.

The Chairman inquired about the wish of the members whether the Committee should proceed first with the subject of Canteen Funds or with the consideration of Bill No. 5, *The Civil Employment Reinstatement Act, 1942*.

Whereupon, Mr. Cruickshank moved that the Committee, at the next meeting, proceed first with the study of the subject concerning Canteen Funds.

And the question being put on the said motion, it was agreed to.

On motion of Hon. Ian Mackenzie, it was

Resolved,—That Bill No 5, *The Civil Employment Reinstatement Act, 1942*, be reprinted with the proposed amendment, for the use of the members of the Committee.

The Committee then proceeded to matters of routine and the following motions were adopted.

On motion of Mr. Mutch, seconded by Mr. Cruickshank, it was

Resolved,—That the Committee ask leave to fix its quorum to 12 members.

On motion of Mr. Jackman, seconded by Mr. Bruce, it was

Resolved,—That the Committee ask leave to print, from day to day, 500 copies in English and 200 copies in French of its minutes of proceedings and evidence, and that Standing Order 64 be suspended in relation thereto.

On motion of Mr. Claxton, seconded by Mr. Black (*Yukon*), it was

Resolved,—That the Committee ask leave to sit while the House is sitting.

The Chairman suggested that in view of the large personnel of the Committee it might be advisable to appoint a Vice-Chairman. Whereupon Mr. Claxton moved, seconded by Mr. Ferron, that Mr. Blanchette be nominated for the duties of Vice-Chairman.

And the question being put on the question, it was unanimously agreed to.

At 10.50 o'clock a.m., on motion of Mr. McCuaig the Committee adjourned to meet again at the call of the Chair.

HOUSE OF COMMONS, ROOM 497,

TUESDAY, 5th May, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 11.30 o'clock a.m. Mr. W. Ross Macdonald (*Brantford City*), Chairman, presided.

Members present: Messrs. Black (*Yukon*), Blanchette, Bruce, Castleden, Claxton, Cruickshank, Diefenbaker, Emmerson, Ferron, Gillis, Gray, Green, Hazen, Jackman, Macdonald (*Brantford City*), MacKenzie (*Neepawa*), Mackenzie (*Vancouver Centre*), Macmillan, McCuaig, McLean (*Simcoe East*), Marshall, Mutch, Quelch, Ross (*Middlesex East*), Ross (*Souris*), Winkler, Wright.

In attendance: Lt.-Col. A. Cairns, representing the Director of Auxiliary Services (Army); Lt.-Col. J. A. de Lalanne, M.C., Regimental Funds Board (Army) with Major Georges Garneau; Captain J. O. Cossette, C.R.N., Secretary of Naval Affairs; Air-Commodore K. J. Nairn, Air Member for Accounts and Finance, R.C.A.F.; Mr. W. S. Woods, Associate Deputy Minister, Department of Pensions and National Health, with Mr. A. J. Dixon, Chief Administrative Assistant and Mr. B. W. Russell, K.C., Department Solicitor.

In opening the proceedings the Chairman indicated to the members that in the Order of Reference of Tuesday, 24th March, 1942, mention is made of certain Orders in Council and Reports concerning the disposition of Canteen Funds and he suggested that for the convenience of the Committee these could be printed as Appendix to the first printed report of the proceedings and evidence.

Whereupon Mr. Jackman moved, seconded by Mr. Hazen,

That Orders in Council P.C. 7520 of December 20th, 1940; P.C. 224 of January 13, 1941; P.C. 1087 of February 14, 1941; P.C. 1959 of March 24, 1941; and the report and Recommendations of the Committee constituted as a result of the said Orders in Council; also the Interim Report by the Subcommittee of the General Advisory on Demobilization and Rehabilitation on the Administration of Special Funds; also Orders in Council 74/9130 of November 22, 1941, and P.C. 7/3183 of April 21, 1942; be printed as Appendix "A", "B", "C", "D", "E", "F", "G" and "H" respectively to the first printed report of Proceedings and Evidence.

And the question being put on the said motion. it was agreed to.

The Chairman thereafter invited Hon. Ian Mackenzie, Minister of Pensions and National Health to address the Committee. Mr. Mackenzie read a submission in which was outlined the purposes in mind in the setting up of this Committee.

Lt.-Col. A. Cairns, representing Col. E. A. Deacon, Director of Auxiliary Services (Army) was called and examined.

Lt.-Col. J. A. de Lalanne, M.C., of the Regimental Funds Board was afterwards called and examined at length. The witness was asked to file certain statements for the next meeting.

Both witnesses were excused but with the understanding that they would be at the disposal of the Committee for any further questioning.

Before adjournment the Chairman indicated to the members that representatives from the Navy and the Air Force together with Mr. A. J. Dixon of the Department of Pensions and National Health would be called before the Committee at the next meeting.

At 1.00 o'clock p.m., the Committee adjourned to meet again at the call of the Chair.

ANTOINE CHASSÉ,

Clerk of the Committee.

MINUTES OF EVIDENCE

The Select Committee on Canteen Funds met at 11.35 a.m., the Chairman, Mr. William Ross Macdonald, presided.

HOUSE OF COMMONS, ROOM 497,

May 5, 1942.

The CHAIRMAN: Order. Gentlemen, we have with us to-day the Minister of Pensions and National Health, and also representatives from the army, the navy and the air force. The representatives are Lt.-Col. A. Cairns, and Lt.-Col. J. A. de Lalanne from the army, and Captain J. D. Cosette from the navy, and Air Commodore K. G. Nairn from the air force, and also Mr. A. J. Dixon from the Department of Pensions and National Health. It has been suggested that we first obtain a statement from the representatives of the various branches in which they will tell us the sources from which the funds come and approximately how much is on hand and any general information as to the funds which are now being accumulated, and then we can call Mr. Dixon. Mr. Dixon will tell us something of what happened to the funds which were accumulated from the last war. If that meets with the approval of the committee I would suggest that we have the statement now of the minister. After the minister's statement we will call Lt.-Col. Cairns, if that meets with the approval of the committee. I would ask Mr. Mackenzie to make his statement now.

Hon. Mr. MACKENZIE: Mr. Chairman and gentlemen, I intend to detain you only for about three or four minutes. I thought a preliminary observation in regard to the general scope of the inquiry might be of some interest to the committee at this stage.

A resolution of the house has set up this committee to inquire into the whole question of canteen profits and other funds which may be accumulated during the progress of the war, and which are to be retained to be used for the benefit of ex-servicemen and their dependents.

Honourable members are no doubt aware that it is the practice in nearly all units of the fighting services to maintain and operate canteens or regimental institutes in order to provide the personnel and the units concerned with such additional comforts as they may desire, conveniently and at reasonable prices. While, fundamentally, these institutions are operated for the benefit of the men concerned, and not with the idea of the accumulation of large profits, nevertheless sound business administration and the precautions which have to be taken against unforeseen losses do result in the accumulation of certain undistributed moneys. It is a fundamental principle that these moneys are the property of the men who created them by their purchases, and it is the responsibility of the government that they should be administered and distributed for their benefit.

To indicate the magnitude of the problem, may I remind the committee that by the time the Canadian government had received the final distribution of canteen profits following the last war, it had in its hands some two and a half million dollars for administration, in addition to a large number of battalion or unit funds which were held and administered by private boards of trustees. In addition to the funds created by canteen profits there were also large amounts contributed from private sources by donations and bequests. While both careful inquiry and consideration was given to the method of administering these funds following the last war, the experience gained during the succeeding years has

prompted the government to place the whole question again before parliament in order to secure a comprehensive review and recommendation upon the whole situation.

During the present war there will be found several methods in existence for the operation, collection, and disposal of canteen funds. As honourable members are no doubt aware, the four great national organizations which have undertaken to provide auxiliary services to the forces, namely, the Canadian Legion of the British Empire Service League, the Young Men's Christian Association, the Knights of Columbus, and the Salvation Army, operate throughout Canada dry canteens and institutes in connection with army units and stations. The agreement made between these national organizations and the Minister of National Defence, in respect of this business done in Canada, allots five per cent of the gross receipts payable monthly to the unit or units served by the canteen in each case. This amount is for the provision, under unit arrangements, of additional comforts or entertainment and recreation facilities. A further allowance of two per cent of the gross receipts is retained by the organization to cover supervision, accounting, and similar overhead. The net profits, after deducting the foregoing and other specific items of cost, are paid to the Minister of National Defence or an officer designated by him, and these moneys are deposited with the Receiver-General of Canada. At the end of February last the sum so deposited with the Receiver-General was \$178,106.29. Such deposits will continue to accrue until the operations of these organizations cease.

Most army units, in addition to the above, operate individual wet canteens or other institutes. Any profits made in these operations which are not immediately expended for the benefit of the personnel of the unit are retained by that unit. Some idea of the magnitude of these operations in bulk is indicated by the fact that during the year from April 1, 1940, to March 31, 1941, active army units and formations and active army training centres in Canada had gross sales amounting to over \$4,900,000.

In the Royal Canadian Navy it has been the practice to regard canteens on ships and at naval establishments as being entirely within the control of the naval ratings concerned, and to utilize any profits immediately for the benefit of the crews. Such voluntary distributions of the profits as may be made as the result of decisions reached by the ratings are preferably paid into the Navy Benevolent Funds.

A very considerable number of canteens are operated at units and stations of the Royal Canadian Air Force. In respect of most of these a contribution of a small percentage of the gross sales is made to the Royal Canadian Air Force Benevolent Fund, which is administered by a board of trustees consisting of serving members of the Royal Canadian Air Force.

Overseas, the Canadian troops are accorded the benefits of all canteens and services operated by what is known as the Navy, Army and Air Force Institute—a corporation created by the government of the United Kingdom for the specific purpose of providing such services to all troops and fighting services. While there is no formal agreement with this organization, there is a working arrangement whereby six per cent of the gross sales of the N.A.A.F.I. is paid to the divisions served by the canteens. This amount is, of course, for expenditure in the usual way for the benefit of the personnel concerned. It is, of course, not as determinable at the present time as to whether the N.A.A.F.I. will have at the end of the war accumulated an over-all profit. If so, it is reasonable to anticipate that a portion of such profit, comparable to the number of Canadian personnel which have contributed to its creation, will be made available to Canada.

This brief outline will indicate to the committee the magnitude of the problem and the importance of deciding upon a policy of future administration, as well

as the different methods of operation, collection, and control which are current as between the three services both in Canada and overseas. It is to this that the proposed committee is asked to address itself within the terms of reference of the resolution.

In a preliminary manner the government has already addressed itself to the problem, not only by the execution of the agreements I have referred to in the case of the four national organizations, and by the ordinary operation of the control which the administration of the defence departments provide, but notably by the study which has been made by two special committees. One of the ten subcommittees working under the Inter-departmental Advisory Committee on Demobilization and Rehabilitation was one on the Administration of Special Funds. An interim report from this subcommittee was brought to the attention of the select committee of the house on the Pension Act and allied post-discharge problems during the last session of the house. The report reviews in considerable detail the policy and administration of not only the canteen funds but a number of other special funds which were created during and following the last war for the benefit of ex-servicemen and makes certain recommendations as to future policy following this war.

Furthermore, it will be recalled that there has been tabled a report of the special committee set up by Order in Council of the 20th of December, 1940, and subsequent amendments thereto. The members of this committee consisted of Messrs. J. W. Macdonnell, L. Plante, and Watson Sellar. The committee had available to them the report of the subcommittee on the Administration of Special Funds, and they in turn made certain inquiries and recommendations. Valuable as these reports are both in the information which they have recorded and the recommendations which they have made, the government has felt that they are perhaps not sufficiently authoritative and conclusive upon which to determine a definite policy without further submission to the house. The resolution now proposed provides for that further consideration and recommendation.

The importance of wise utilization of these surplus funds cannot be over-estimated.

We had for the veterans of the last war the most comprehensive pensions and re-establishment program of any belligerent country. Our program with respect to men serving in this war is even broader and will, we trust, be more helpful.

Nevertheless, we know that it is impossible to anticipate all contingencies; it is impossible to provide laws and regulations that cover adequately every deserving case.

In the past there have been available to the Pension Commission and to the departmental officers a number of special funds derived from bequests and a variety of sources, which have been of inestimable value in providing for isolated cases of hardship not covered by our legislative authority.

The importance, therefore, of the government, and particularly my own department, having the very best advice possible as to the administration of these funds, will be appreciated by honourable members of this committee. The report of the subcommittee on administration and special funds was printed in the report of the special committee on the Pensions Act and the War Veterans' Allowance Act, in report No. 10.

Would someone move that the Order in Council and these two reports be printed and form part of our proceedings?

Mr. HAZEN: Does that refer to the report of the general advisory committee? Is that to be printed too?

The CHAIRMAN: Yes, the report of the general advisory committee, and also the report of the other committee—I do not know what the name of the committee is.

Mr. HAZEN: The general subcommittee.

On motion by Mr. Hazen, seconded by Mr. Jackman, it was ordered that the reports of the two committees be printed and form a part of the proceedings of this committee, together with the report of the special committee on canteens.

The CHAIRMAN: I will not call on Colonel Cairns.

Lt.-Col. A. CAIRNS, called:

The CHAIRMAN: Colonel Cairns is called to give the committee information as to the sources from which the funds are collected, in so far as the army is concerned. He will be glad to answer questions which members of the committee may care to ask. Colonel Cairns:

The WITNESS; Mr. Minister and gentlemen: To be perfectly frank, I do not know just what type of information you want. It seems to me that possibly the best way to arrive at the information you want would be for you to ask questions.

However, as far as the army is concerned, that fund over which the auxiliary services have jurisdiction; the sources of the fund arise from the operation of four national voluntary organizations who operate in these camps and barrack areas for the troops. These organizations operate under an agreement between the organizations and the Minister of National Defence. The agreement was created under P.C. 63404; and it permits the operation of dry canteens with the forces. Now, the minister has pretty well explained what happens to create the fund; 5 per cent of the gross take of each of these canteens is given to the unit commander for the use of the troops under his command. The organizations themselves are permitted to retain 2 per cent for overhead expenses. Then the balance of profits is deposited or turned over to the regimental funds board to create this trust fund, or canteen fund, as you now know it. The trust fund was set up by Order in Council, which named the custodians and then that was afterwards amended, changing the personnel of the custodians and now the problem I imagine is to arrive at how the funds are to be administered: will all the funds of all the canteens go into one fund, or will they be retained as at present in their separate funds, with each separate fund applying to the service from which it is derived. I am prepared to state what I think in regard to separate funds; and what has already been done by representatives of the three services; and when the matter is threshed out further and we get the various angles we could probably arrive at a conclusion. But in regard to the canteens that are being operated as wet canteens and operated by the units; the Auxiliary Services Department has no jurisdiction over those; they are operated by the officers commanding the units, and funds from the wet canteens operated by the battalions and regiments and units are retained by those formations.

By Mr. Mutch:

Q. That is only partially true, is it not? That accumulated fund reaches a certain amount and then there is a levy made on that. You might explain what happens in that case?—A. Colonel de Lalanne is here, and he is chairman of the regimental funds board. He will be able to give you more complete information on that and give you all the details. In fact, I prefer that Colonel de Lalanne should come down here and he will supply the information as we go along.

Lt.-Col. J. A. DE LALANNE, called.

Col. CAIRNS: I do not know but I think the minister has given you all the main details; it would probably save time if we were to start out by the process of asking and answering questions.

The CHAIRMAN: Colonel de Lalanne, would you give us some information about the regimental funds?

Col. DE LALANNE: Yes, I will.

Mr. Minister, Mr. Chairman, and honourable gentlemen: the situation as I speak of it will be for the period up to and including the 31st of December. I now have reports from all the units to that date. As regard the units canteens, which include all units, formations and training centres; the monthly average of sales for the six months ended December 31, 1941 was something in excess of \$700,000. Of course, I speak of the army only. The gross is about 18 per cent. Expenses were about 2.9 to 3 per cent, leaving approximately 15 per cent for the benefit of the troops. The sales in the national organization canteens are about half the volume in the unit canteens. The difference in percentages of gross profit is very small, something within 1 per cent; but the expenses are naturally considerably higher on account of the fact that the employees and the help in the national organization canteens are full-time paid personnel, whereas in the unit canteens the military personnel who do the work just receive a small contribution per month by way of honorarium. I have just been completing figures during the last few days. My recollection is that up to date for the period from the 1st of April, 1940—21 months—the sales in the unit canteens are in excess of \$11,600,000; and those in the national organizations' canteens during that period—and including the reserve training centres from October of that year—was about \$5,400,000. The amount spent on the troops during that period in unit canteens is \$1,500,000. As to the amount turned over by the national organizations to the units—I am sorry that this figure is approximate, that I cannot give you the actual figure at the moment—I can give you the approximate figure for the army, but this includes one large canteen at the manning pool in Toronto operated for the Air Force which for some reason or other has come under the special agreement and reports have been submitted to me by the Y.M.C.A. Including what was turned over to the Air Force the figure is, I think, \$268,000. The money turned into the central fund is \$212,000; of which about \$178,000 or \$180,000 was for army canteens. Slightly in excess of \$30,000 is credited in my records to the Air Force, and from the canteen in Halifax which is split three ways—50 per cent to the Navy, 38 per cent to the Army and 12 per cent to the Air Force—there is something just under \$2,000 to the credit of the Navy. I hope, Mr. Chairman, that it is understood that as regards my receiving the remittances from the national organizations which Colonel Cairns refers to, that simply means that I am receiving some cheques drawn in favour of the Receiver General of Canada. We have been most meticulous to ensure that there are no funds handled by the regimental funds board. We are merely a receiving and transmitting agency, and do the accounting; so there is no money at all handled by the board, all the cheques are made out to the Receiver General of Canada; some go directly to the Treasury and some come in the mail addressed to the Regimental Funds Board and we immediately turn them over to the Chief Treasury Officer, Army. These, of course, are checked monthly with the Treasury records and any minor adjustments in distribution are made as required; but the cheques are turned over immediately to the Treasury Department.

I think I heard a question as regards a levy on unit funds. There is no such levy of which I am aware at the present time. The funds remain entirely with the units, and while in one of the reports of the committee that has already considered this question there is a suggestion along that line, nothing has been done in so far as I know to implement the recommendation and that will probably be one of the points, Mr. Minister, which you will consider. All of the money which has been earned in a unit canteen has been retained by that unit, or has been handed over to some other unit which under existing regulations would be

entitled to participate in any profits. There are two or three ways in which they participate; either they are receiving the benefits through extra messing, or they may take advantage of the other ways provided in the regulations.

I do not know that there is anything else I can usefully add.

The CHAIRMAN: Are there any questions any members would like to ask?

By Mr. Gray:

Q. You have been speaking only of Canadian canteen funds?—A. Canteens operated in Canada; of course, that includes canteens operated for the troops in Newfoundland and in Iceland. They come under Canada. We know nothing whatever about Great Britain.

Q. How is that operated?—A. In Great Britain, you mean?

Q. Yes?—A. In Great Britain there are, I believe, three types of canteen. In the more or less stationary camps the canteens are established by N.A.A.F.I. as the minister has already told you. Six per cent of the gross receipts of these canteens has been turned over to the local units; or to divisions, in the early stage. I cannot tell you how much that amounted to, but I have received some figures up to the 30th of April, 1941. I expect shortly to have more information when the Director of Auxiliary Services returns, when I should be able to give you more particulars in that connection. In some areas, units operate their own canteens and I understand they are in most cases quite small, that they actually come down to just little co-operative buying institutions, and they are a unit or company canteen in any event. We have some information about that, but it does not amount to anything substantial. I believe also that the four national organizations operate certain canteens, mobile canteens; but we have no particulars here. We have no information as to the extent of their operations over there in Great Britain.

By Mr. Hazen:

Q. Do the canteens sell at fixed prices; or, can they arrange their own prices?—A. There are no definite regulations on that point. The general policy that we adopt, or follow, is that the price should be at least as good as could be obtained in the nearby stores at the local price. There is a restriction in the case of cigarettes; but so far as I know there is no restriction on any other article.

Q. What is the restriction on cigarettes?—A. As far as the army is concerned they sell actually at one cent each. The tobacco companies have given a special price whereby they sell to the army canteens at \$9 a thousand and the canteens resell them at \$10 a thousand. The ordinary price to the retail tobacconist is approximately \$10.13 on the common brands of cigarettes and they retail at \$12.50 a thousand; so that we really are getting an advantage there; we get about 25 cigarettes instead of 20 or 22 for a quarter. In some of the provinces, where there is a provincial tax we may do better than that, after taking off the tax.

Q. Is there any control between the prices of the Y.M.C.A. canteens and the army canteens that they run themselves?—A. Only co-operation. They have been encouraged by Colonel Deacon to have the same prices. In large camps like Borden and Petawawa they try to set up the same prices, especially on articles they are both particularly interested in—the soft drinks and items of that kind which they both sell.

Mr. Ross (*Middlesex East*): Will information be available to the committee in regard to the British system?

Hon. Mr. MACKENZIE: The Director of Auxiliary Services will be back here in about two weeks' time and will be available to the committee.

By Mr. Castleden:

Q. Do you know whether or not cigarettes going to the canteens in this country pay excise tax?—A. There is no concession by the federal government in so far as I know on excise—in any way. There is a mistaken idea that the reason the tobacco companies were able to give the navy, army and air force a better price was that the federal government had remitted part of the excise tax. I think that is incorrect, sir, because it came up at the time of the soft drink situation and was explained at that time.

Q. The reason I ask is that, a sailor gave me a package of cigarettes without an excise stamp tax on it.

The CHAIRMAN: Only a sailor could do that.

By Mr. Castleden:

Q. There was no excise stamp on it.—A. Would it be a package of twenty-five?

Q. Yes, without any excise stamp.

By Mr. Ross (Souris):

Q. I was not clear about the matter of funds turned over to the Board. You were speaking of the canteen funds?—A. Yes; the profit all goes to the Receiver General of Canada. All I keep is a record of it. The net profit is that remaining after deducting from the gross receipts the cost of the goods sold, the wages of the employees in these national organization canteens, certain items of light and heat where there are no facilities whereby it can be provided by the government, also 2 per cent allowance for general overhead which I believe was decided on instead of having a long list of items which could be deducted, Col. Cairns' figure of 2 per cent was established. The balance which is left after that is remitted to the Receiver General of Canada; and under a recent Order in Council, temporarily that fund is being known as the Central Trust Fund of the army, navy and air force canteens. That is simply to cover the fact that there are smaller amounts of money in it belonging to the other services, and which are in the fund pending decision as to how these funds are to be treated, whether one fund or three separate funds. There is no money in the fund, except \$3,000, which has accrued from anything other than profits of the national organizations.

By Mr. Quelch:

Q. Did you not say five per cent was held by the local unit?—A. Five per cent is handed over every month to the local unit. If they are operating a canteen of their own, they credit that to their canteen fund. If they have no other canteen of their own it may be paid in to the regimental fund or the mess fund and then is used by the unit commander for the benefit of the men.

Q. I was wondering why it should not be over five per cent.—A. Five per cent of the gross receipts, about one-third of the gross profit.

By Mr. Ross (Middlesex East):

Q. I should like to know how the average profit is struck.—A. I do not understand that, the limit, you mean?

Lt.-Col. CAIRNS: Do you issue it to units on an average distribution?

WITNESS: I am afraid I do not understand the question.

By Mr. Ross (Middlesex East):

Q. When you conduct a business you know where your funds are going. Is there an average profit struck over the whole structure and do the units that operate their own canteen retain their own profits? They strike their own

profits; do they decide as to the average profit then?—A. Each canteen is entirely autonomous. The unit commander is entirely responsible for it. We receive monthly statements from active units, and semi-annual statements from reserve units. They send in monthly returns to the district, and providing they are spending the money for the benefit of the troops in accordance with the regulations that have been established, which are old peacetime regulations, and which have been brought up-to-date to cover wartime conditions, and provided they do not spend it for purposes for which the minister has stipulated profits must not be used, then it is still under the control of the unit commander.

By Mr. Green:

Q. I think the intention of the question was to find out whether each canteen strikes its own profit or returns from the canteens across Canada are lumped together and a general profit struck for the whole.—A. No, each unit is entirely responsible for its own except for any agreement it may have with another unit.

Q. Does that apply to the auxiliary services?—A. Each of the four national organizations handles its own affairs, looks after its own purchasing, makes separate statements, and sends in the money, which is turned over, as already outlined. Where a canteen—for instance, like the Salvation Army—serves one unit only, the five per cent of gross receipts or approximately one-third of the gross profit is paid over to the unit served. Where the canteen is in a camp, where there might be ten or fifteen or twenty-five units, the money is paid over to the local commandant, and on the basis of ration strength, he distributes the money to the various canteens.

Q. Is it determined on this basis at a camp like Borden? Are all the returns from the canteens there figured together?—A. No, they are separate.

Q. They are separate canteens?—A. Each unit manages its own canteen, keeps its own money and spends its own money.

By Mr. Mutch:

Q. And fixes its own prices?—A. Fixes its own prices, but everything is under the control of the unit commander.

Q. If the commandant sees something happening in one canteen that he does not think correct he might suggest that the prices be made to coincide with the other canteens?—A. That is all he has power to do.

By Mr. Ross (Middlesex East):

Q. Has any suggestion been made with regard to the home forces that an average profit should be struck over the whole country?—A. Not under the present circumstances. There have been suggestions there should be camp canteens or station canteens conducted along the lines of those operated overseas by N.A.A.F.I. That is a different problem. The figures which I have quoted on the sales, gross profits, and percentage of gross profits, are averages which I have prepared in my office from monthly returns which have come in from all units and training centres. The reports are collected from all over Canada. In addition to these unit canteens, up until a short time ago each of the four national organizations operated a canteen, at Camp Borden, and the profits of those were reported by each organization separately and each gave a cheque to the camp commandant each month; for the 5% and those four cheques were added together and the camp commandant then distributed to the units on the basis of their ration strength of each particular unit.

By Mr. Green:

Q. Each canteen is considered a unit by itself?—A. Each unit canteen. That is quite a question, the one about the joint canteen and the camp canteen.

There is great variety in the different camps. None are quite the same. Some camps use the dry canteen of the national organizations a great deal more than others. In Camp Borden when one division was stationed there, almost every unit of the division had a canteen of its own; whereas at other times in the same camp there might be quite a few who would not have a canteen of its own and would only patronize the national organizations canteens or those of other units.

Q. Do each unit canteen sell the same goods as the national?—A. The dry canteens practically the same.

By Mr. Ross (Souris):

Q. The board has never considered the suggestion that there might be a uniform system as to profits of those canteens; that is, a uniform system of profit be allowed throughout the entire setup?—A. That matter has been broached, I think, on occasions, but that is really not one of the matters seriously considered by regimental funds board, to date. The difficulty which arises where we find a canteen selling at fairly low prices is that when that occurs there is a great deal of criticism from the local associations of merchants. They feel that the army is under selling, and it has always been a criticism. They say that what they are doing is not selling for the use of the troops, but that the troops are buying for friends and civilians. That is the biggest stumbling block there would be if we did try to sell at cost.

By Mr. Mutch:

Q. That does not apply in camps; it applies only where you have headquarters in the cities.—A. It should not apply in camps, no.

By Mr. Diefenbaker:

Q. Have you a record showing the percentage of profit made by the various canteens that report to the board?—A. I could give you that very quickly. I have a list for the last twenty odd months of the sales and the gross profits in every canteen, I think, that is operated in Canada. It would be very simple.

Q. Would you put that on the record?—A. I will prepare that, sir.

Q. It would be very helpful in determining whether or not there is a competent basis fixed.—A. There is just one thing I should like to mention there. Wet canteens statistics are very misleading in that regard, because in the different provinces you buy and sell on different bases. For example, in the Maritimes you buy and sell at exactly the same price and your profit is on what bottles you manage to salvage and sell back to the Breweries. Therefore, some of these figures which I will prepare for you may not be as inequitable as they may seem.

Q. Are any of these canteens operated by private individuals other than the national organizations?—A. Not to my knowledge; they should not be at all; not in the army. I will go that far.

Q. I am referring to the army.—A. According to regulations they should not be, and to the best of my knowledge they are not.

By Mr. Ross (Souris):

Q. They are in some branches of the service, the air force.—A. I prefer not to say. I could speak only from rumour.

The CHAIRMAN: Representatives of the air force are going to give evidence later on.

By Mr. Diefenbaker:

Q. What are the regulations that forbid operation of canteens by private individuals so far as the army is concerned?—A. You ask what are the regulations?

Q. Regulations that have been in existence for years gone by?—A. Yes, there are regulations that have been in existence for years and were known as "Rules for the management of messes and institutes." There is now somewhere on the presses a revised booklet of which we have changed the name. The new name is "Rules for the Management of Messes and Canteens." It is a little different from the old booklet. The new booklet should be off the presses very shortly. There is a restriction in it which states that the operation of canteens must not be handed over to civilians.

Q. At any time were any of the canteens in the army operated by private companies or persons?—A. Not that I know of.

By Mr. Mutch:

Q. In the last war there were restaurant concessions in the camps, but so far as I know that is not in existence now.—A. So far as I know there are none in this war at all. There are not any in the canteens that Colonel Cairns and I were speaking about. The four national organizations are running canteens, and there are, of course, individuals and boards like the I.O.D.E. and various other civilian organizations. They do not report at all, in so far as I know; they do not report their operations to the Director of Auxiliary Services or to our minister direct.

By Mr. Diefenbaker:

Q. They are recognized patriotic institutions?—A. Yes.

By Mr. Green:

Q. Are there any checks made on the accounts of those canteens?—A. Unit canteens?

Q. All canteens.—A. Unit canteens—we have districts audit officers, in all military districts, who receive statements each month on a special form, a copy of which is sent to us and perused again here at headquarters; also periodically our officers in the districts visit the canteens, give them advice as to how they should keep their books, make any constructive criticism which they see fit and draw attention to any infractions of the regulations which they feel should be corrected. They are not expected to actually go in and audit all the books and vouchers of the canteens. The unit audit boards are now reduced from three to two officers. They are available to give advice and to make periodical inspections and to be used by the District Officer Commanding in any way he may wish to make investigations. National organization accounts are audited by independent firms of accountants, and the statements come in signed by the auditors to the Director of Auxiliary Services or myself.

Q. Is there any check made as to whether the cash on hand balances with that shown in the books?—A. Yes. That would be part of the periodical inspections that we make from time to time. The unit audit board should do that. On the statements there is a space for some officer to sign indicating that he has checked the cash on hand at the end of the month.

Q. The national organization accounts are audited by a chartered accountant, and the unit accounts are only audited by—A. The unit audit board; and the statements are examined by the district audit officers; and again we have made very extensive inspections here which I am hoping will not be so necessary now that we have a larger staff in each district.

By Mr. Castleden:

Q. Are there any receipts from the officers' mess in respect of canteen funds?
—A. The officers' mess receives no share in canteen profits.

By the Chairman:

Q. What about the sergeants' mess?—A. No, except in very exceptional circumstances. They receive no benefit from the canteen profit in their units, although they patronize the canteens to a greater or lesser extent, depending on what they actually sell in their own messes. In special instances where they have no bar in their messes, special arrangements can be made by the sergeants whereby they are given a small contribution from time to time. Ordinarily they would receive no benefit from the canteen profits.

By Mr. Mutch:

Q. Only in a case where the canteen of the sergeants' mess gets any benefit from the regimental funds.—A. Where they do get—

Q. They do not participate in anything from the dry canteen under any circumstances?—A. I would not like to say that. I do not suppose in the year and a half that I have been studying the accounts I have seen five cases where they have.

Q. I do not think it is possible.—A. If they do not stock cigarettes in their own bars, in their own mess, they might get \$25 occasionally; it is so seldom it is almost inconsequential.

Q. Is it at the discretion of the commanding officer?—A. The general rule is to explain all the circumstances to us and ask us if we have any objection. We have said, that if all things are equal and they have no canteen of their own, we are quite satisfied.

By Mr. Ross (Souris):

Q. How are the unit boards appointed?—A. By the commanding officer. It may be of interest to say we now stipulate in those new regulations that the appointment of unit audit boards, also the appointment of all officers and committees dealing with messes and canteens must now be published in Part 1 Orders of the unit. Our greatest difficulties in investigating what were alleged to be irregularities have been that we have not been able on occasion to discover those who were responsible for the particular duties. These new regulations stipulate what the duties of the secretary should be and what the duties of the treasurer should be. We have not tried to say he must do this and he must do that, but we have said what his duties are, and we leave it to them to work out their own system; how they should arrange to safeguard the funds at night or at any other time of the day; and in order to ensure there is no misunderstanding as to those responsible for each duty we stipulate all those appointments or changes must be published in orders.

Q. Is there anything that provides that the men shall have a representative on the unit board?—A. On the unit audit board?

Q. Yes.—A. Not on the audit board but on the canteen committee. There is a subcommittee of men which meet with the regular committee.

By Mr. Ross (Middlesex East):

Q. Is there any uniformity as to the local committee, the same as in the regiment?—A. There are regimental committees.

Q. Any uniformity?—A. As to who shall be on it?

Q. Yes, representation.—A. It must be corporals or below, as far as the unit canteen committee is concerned.

Q. What is the recognized local organization?—A. Three officers and three other ranks not above the rank of corporal.

Q. That is uniform throughout?—A. It is in the regulations here and may be subject to change to meet conditions overseas. They follow our regulations generally.

By Mr. Green:

Q. Are all members of the unit audit board officers?—A. Not necessarily. Where officers are not available they may have a sergeant-major. Ordinarily they are all officers.

Q. Would it not be beneficial to have some men from the ranks on that board? After all, the money is for their benefit.—A. I do not think we would have any objection if we could find men in the ranks who could do auditing.

By Mr. Wright:

Q. I think you would relieve the suspicion of a lot of men in the ranks if they had a representation on the audit board. —A. It has not been the practice—

By Mr. Ross (Middlesex East):

Q. By having the officers working on the audit you settle in the soldier's mind that everything is going on in a uniform manner, not only with regard to the home forces but with the overseas forces as well.—A. The unit audit board audits all accounts, not only canteens. In setting these regulations we are always very glad to get suggestions because out of these we get the men's point of view.

By Mr. Green:

Q. Do you not think that it is very important that you should have the men's point of view on the audit board as far as the canteens are concerned?—A. Generally speaking, and speaking quickly, I cannot see any particular advantage in having them actually check the accounts, provided they have copies of the statements. They have access to them every month. A statement is given every month. On the other hand I cannot think of any objection to having other ranks on the audit board. I am not speaking officially for the department, I am speaking personally when I say that, Mr. Chairman, as an accountant.

Q. It is really their money; they should have some check on it, I should say.

By the Chairman:

Q. Is there any objection now? Is there anything to prevent a man from the ranks being on the audit committee.—A. It is just a question of revising the instructions. It could be done very quickly.

Mr. GREEN: It is not done.

Mr. Mutch: Leave it to the discretion of the commanding officer. I do not see any reason why it should not.

The WITNESS: The great difficulty in the audit board is finding personnel who are qualified to audit. There is a big difference between a book-keeper and an auditor. In a great many units the officers do not want to do it at all because they feel they are not qualified. It is a very difficult problem to get them to even act on committees of the canteen.

Mr. Mutch: I do not think you will find one officer in fifty who will not give any excuse not to take it if he can find anyone in the ranks to do it.

The WITNESS: That is why we reduced the number on the board from three to two.

Mr. Ross (*Middlesex East*): It should not be a very difficult job to audit canteen funds. The merchandise displayed and sold is uniform all over the

country, probably, and there is nothing like the variety of goods that you find in a large corporation. I do not see why any number of men could not be found within the ranks to do the auditing of canteen funds. The job should be simplicity itself.

By Mr. Green:

Q. Are you simply following the system that was used in the last war? A. I cannot say,—speaking personally, I do not remember that we submitted any reports in the last war. I operated a canteen myself for quite a long time. I think it was entirely autonomous. The men knew that I did with the money and they were perfectly satisfied. I think, generally speaking, in this war the men are not critical of the operation of the canteens, from what I know of it. Unfortunately I have not visited all the units.

By Mr. Mutch:

Q. There was nothing but the regimental audit the last time. A. Certainly not in France. I cannot speak except for canteens operated actually in France. A. I cannot speak, except for the canteens already actually under our control. I know nothing about the canteens operated in England.

By Mr. Green:

Q. That goes quite far, because it is of the utmost importance that the morale of the men in the ranks should be kept as high as possible; and it does seem to me that this would be one way of helping to build up that morale—give them a position on the audit board. It is something the officers do not want to do anyway, and the result probably would not be very grave? A. Probably I should say that the audit boards are appointed by authority of King's Regulations; and they are built up on the basis that officers are responsible for money. I think that is probably one of the reasons that audit boards in the past have been officers, that the responsibility for money has always been placed on the officers of the unit; and that may be the reason why the question has not been brought up. I will be very glad to investigate this matter further. I think it is a very good point.

Q. The King's Regulations are not always up to date, it is many years behind the times? A. I will make a study of the question immediately.

By Mr. Mutch:

Q. Is it not a fact that in the event of a shortage in the canteen fund the administrative or commanding officer is liable and his command pay is subject to levy?—A. That is in the reserve units. In the reserve units the funds are used for shortages in equipment rather than canteen funds. There is no command pay now in the active force similar to the command pay in the reserve units.

By Mr. Wright:

Q. I have heard complaints of veterans' guards transferred, from one camp to another, may be they would be in one camp about six months or so and then they are moved to some other place where there is no canteen and as a result no transfer of funds takes place? A. On the 6th of June, 1941 we issued a regulation in that connection. I found that criticism myself before I came to the Regimental Funds Board. I know there was some difficulty in my own district; and in co-operation with the officer administering the veterans' guard we drew up an arrangements whereby the profits in any internment camp staff canteen are determined monthly, and any profit left in the canteen is divided on a pro rata basis to the permanent staff, and to the guard companies. In order to leave

money there to finance the canteen it is stipulated that these balances will be paid out, the appropriate part to the camp staff and the appropriate part to the veterans' guard, 90 days after the close of the period. The purpose of that provision is to ensure that there will be ample funds to enable the canteen to carry on for a definite period, and it is distributed in due course to the camp staff, which were originally provost personnel, and to the Veterans Guard. As it is now they are all Veterans Guard but we adopt the same policy and put it into practice generally. There have been one or two instances where we have found it was not being carried out, but I think we have rectified such situations quickly. If we hear any criticism now it is that the camp officers are not carrying out the instructions. Within this last week or two we have issued a further letter drawing attention to the aforementioned instructions.

Q. I have heard that criticism within the last year.—A. I hope it is corrected now. We are watching the situation very carefully, and if these regulations are not being followed we will check them up immediately.

By Mr. MacMillan:

Q. I happen to know personally that you have had a great deal of experience in auditing. Has it been your custom to have shareholders represented in the process of your audit?—A. We are shareholders auditors.

Q. I beg your pardon?—A. We audit for the shareholders.

Q. It is the same principle in a measure; what we want is the audit, it does not matter who makes it.—A. In the case of the officers, I think they are independent. The officers are not interested personally in the canteen funds, therefore they should be able to do the audit on behalf of the men. I would hate to think that any of the men of my company would not trust me to do the auditing for them. I am quite pleased to receive any suggestion and study it, but I do not know of anybody better qualified to look after the interests of the men than are their own officers.

Mr. MUTCH: If that is decided favourably you will get credit from a lot of people who are doing what they don't want to do now.

The CHAIRMAN: I may say that the suggestions which are being offered now are not the recommendations of the committee; they are the suggestions of individual members.

The WITNESS: All the suggestions are good.

The CHAIRMAN: You may consider them, but not as coming from the committee; they are only the suggestions of individual members of the committee.

The WITNESS: I may have expressed my own personal opinions also. I do not know that all the statements I have made are the department's views, or that they would be supported if they involved a change in the regulations; of course, they must be approved officially, and sometimes that involves the passing of an order in council.

The CHAIRMAN: The committee may or may not as a whole make a recommendation in regard to this matter.

Is there any other question for Colonel de Lalanne?

Just before I call Captain Cossette to give us some information would Colonel Cairns like to add anything to what he has already said?

Col. CAIRNS: No, I think everything has been fairly well covered as far as the army is concerned. The point is that we are always available whenever you want us. Just call us. I quite appreciate the fact the matters will arise as you go along with your deliberations, things that will have to be reconsidered, and there are things on which you will require information; and, as I have already said, just call us and we will be glad to supply the information you want.

By Mr. Ross (to Colonel de Lalanne):

Q. Who holds the responsibility for the basic credit of the unit; that is, with respect to canteens?—A. The unit itself.

Q. The whole unit?—A. That is another point that has been brought up.

Q. If the whole staff were abolished how would the matter stand?—A. The unit itself buys on its own credit. There is no capital put up by the department.

Q. Is there a general levy made?—A. The officers might put a certain amount of money at first, or they open the canteen on credit. I think in most instances the canteen really starts on credit buying goods which they expect to re-sell before payment of the account becomes due.

Q. I am thinking about losses though?—A. We do not recognize the fact that there should be any loss, unless something unusual happens.

By Mr. Green:

Q. Do you know of any case in which there was a disastrous loss; such as by fire?—A. I do not know of any. There is a separate regimental funds boards, overseas, and they have officers out in the various districts or with Dominions checking up. We do not know about London, we have received no reports from there at all. Our administration does not cover the supervision of accounts of units overseas, except that we may exchange views on various points.

By Mr. Wright:

Q. In case of fire, what happens?—A. We insist on all stocks being insured 100 per cent. We have difficulty in keeping them up, but most are now carrying adequate insurance which must be shown in their monthly report; they must show the value of their stock, also the value of any equipment; and we have revised the method of showing equipment now so that it should all bear its reasonable value. And there is a statement on the back of the form on which they must show the amount of insurance carried, and that is checked from time to time by our District auditors and that audit Boards as to expiry date to be sure that it is effective. That is one of the specific duties of the Unit Audit board.

By Mr. Ross:

Q. Your insurance covers fire and theft; is there any other insurance carried?—A. All canteens do not insure for theft and fidelity. We recommend it, but they all insure for fire. Aside from those two no other insurance is required.

By Mr. Green:

Q. Have you had many cases in which there have been a serious loss?—A. You mean, in the unit canteens?

Q. Yes. I mean in the operation of the canteens; particularly, by fire.—A. There have been a few occasions when we have not been satisfied with the proceeds of the settlement; and that is why we have been tightening up our system of accounting. Our new system of accounting is designed to try to prove that a proper revenue is being received from the goods purchased for resale. We handle that in a simple way. We have the item entered with its cost price, and the selling price is also extended. We make a double statement showing what these goods have cost and also what they should have produced at the selling price; and at the end of the month that is compared with what the goods actually produced, and if there is any large variation we have an investigation made immediately. When the district audit officer goes around he will watch the extensions to see that they have been computed at the proper prices, and we get an inventory at the end of the month showing the cost price and the selling price used in making the calculations; and that is the only way I know

of in which we can prove that they are getting the proper proceeds. I must say that it has improved a great deal in the last few months since we have had that system in use. It has been producing results.

By the Chairman:

Q. Now, the wet canteens: is beer sold both by the glass and by the bottle in the canteens?—A. No, sir; sometimes both, sometimes one, and sometimes the other.

Q. I presume it is easier to check up on the sales when it is sold only by the bottle?—A. True.

Q. Do you notice at times in some of the canteens there is a great discrepancy in the profits from one canteen as compared to the canteen in another regiment?—A. In the gross profit percentage?

Q. Yes.—A. Oh yes, that varies, and it varies for many reasons. In the wet canteens particularly it varies depending on how cautious the steward is in filling the glasses, on how much head he gets on the glass; and particularly how large a keg he may be using. Based on the number of men who are patronizing the canteen, the size of the keg does affect the production of the keg.

Q. In any case where there is a discrepancy is an investigation made?—A. Oh, yes. The district follows that up. In fact, within the last few months we have had a complete report sent in from all districts stating what their production was from each of the different sized kegs. We have reports from the different districts and if we find any great discrepancy in the amount of their receipts we have the district audit officer make an investigation right away. That is really what our Regimental Fund Board and District Audit Officer are for.

Q. Are the employees of these wet canteens service personnel or civilian personnel?—A. They are members of the unit.

Q. Are there any civilians employed in the wet canteens?—A. I would not think so. There should not be.

Q. They are all members of units?—A. Members of a particular unit.

By Mr. Castleden:

Q. Who undertakes the responsibility as to the purchases which shall be made in connection with the wet canteens?—A. Under the new regulations we put the responsibility for all the purchasing and the custody of the stock on the secretary, and the collection of the money and the preparation of the financial statement is placed on the treasurer. In a small unit the offices may be held by the same person. We have done that deliberately so that the person acting as secretary or treasurer in the various units will have separate responsibilities. All orders must be issued on the form prescribed, or on a similar form; and all purchase orders must be signed by the officer indicated.

By Mr. Ross:

Q. I would suggest, Mr. Chairman, that they might give us cases where there has been a wide variation in profit and the case has been looked into; I suggest that the evidence in such cases should be made available to us, that it might be very helpful. To have such information before us might be helpful in framing our suggestions?—A. We have investigated a number of cases.

By Mr. Castleden:

Q. Would it be possible, from the figures you have, to obtain the per capita consumption in wet canteens approximately?—A. I am afraid not.

Q. But the total volume could be obtained?—A. In the early days the

canteen reports covered both wet and dry and were not necessarily divided. In the last few months, I think I could tell you fairly closely what the actual sales of beer have been, in money value. I doubt very much if I could give you anything on consumption. I would need to have strength returns.

By Mr. Mutch:

Q. I can tell you of one canteen where, in the last three or four months, the sale of milk has exceeded the sale of beer five to one.—A. I think a rather interesting point is that the volume of sales from wet canteens is very small compared with dry canteens.

Q. On one week-end in the last month, where there were 171 men, we sold eight bottles of beer.

Lt.-Col. CAIRNS: That is a situation which prevails in many places.

By the Chairman:

Q. Could you give us a statement on this? You mentioned certain figures to-day but you did not say they were exact. Could you give us the exact figures on the sales by records?—A. Within two or three days I will have the records complete for the twenty-one months ending the 31st of December, and those will be so close to being accurate that it will not make any difference. There might be the odd canteen missed out here and there.

Q. Does the statement show the gross sales and also the net profits and how the profit was distributed?—A. It shows the total amount spent; not necessarily the breakdown as to how all the moneys were spent. We have not that.

Q. Would the statement show how much money is now on hand?—A. Yes, it will. It will show the gross sales over twenty-one months, or by months, if you wish; the gross profits, the expenses chargeable against the operation of the canteens, the balance left, the amount that has been spent during the twenty-one months and the amount in surplus account at the present time. But I cannot reconcile it for two or three reasons. One is that we have not the exact figures of the surplus at the beginning of the period; and another is that, as a unit moves overseas, we take their accounts out. At the beginning of that month they would have appeared as having a surplus but when they moved out we do not make an adjustment in the records. Whatever surplus they have when they move overseas disappears from our records. We do not reconcile it in regard to the surplus at the beginning and the surplus at the end, but it gives the story quite well.

By Mr. Claxton:

Q. Is the spread between the cost price and the selling price fixed by the local committee?—A. Prices, by regulation, should be set and approved by the commanding officer and posted in the canteen.

Q. It varies considerably from unit to unit, then?—A. I am not speaking officially on that, but I would not think so. My impression would be no. You may find that, with regard to soft drinks, they are selling for five cents in some cases and in others six cents. But I would not think that the same article sells at any great variation in price in different canteens. We are told sometimes that they do, but I would think that they would be very much more the exception rather than the rule.

By Mr. Gillis:

Q. Is the army giving any consideration in the matter of the disposal of the funds after the war is over? What I have in mind is this. After the last war the politicians disposed of the canteen funds and did not make a very good

job of it. The accumulation of funds is already under supervision. I was interested in everything they had to say. I think you are making a much better job this time than last time. But the question is, what is going to happen those funds when the thing is over? That is something that the army should have a definite opinion on, I think, and which you should give to this committee.—A. Speaking for the unit canteens, I think there may be a mistaken idea as to what happened those funds after the last war. The minister, in his remarks this morning, explained that those funds, that were earned by units in the last war, were retained by those units or handed over to trustees for those units. The funds, the expenditure of which has been so greatly criticized, were the amounts turned over chiefly by the expeditionary force canteens to Canada and then distributed to the various provinces and administered by trustees appointed by the lieutenant governors in council.

By Mr. Black:

Q. On what basis was the distribution made to provinces?—A. On the basis of enlistment.

Q. By population of the provinces?—A. Enlistments from the various provinces.

Lt.-Col. CAIRNS: Enlistments plus discharges, and they arrived at a level.

By the Chairman:

Q. Did not all the money come from overseas in the last war?—A. Well, Mr. Dixon's committee studied that. I think the answer is yes, but I am not sure. But as to the question that you have mentioned, that has been brought up and has been the subject of study both by the subcommittee of which Mr. Dixon has been chairman and also a special committee which reported to Colonel Ralston, of which the chairman is Mr. J. M. Macdonnell. Those two committees both studied that question and representatives of the army have had the opportunity of expressing their view, I believe, to both committees. Beyond that, I have taken no part in suggesting anything other than I may have been asked to express my own personal opinion.

By Mr. Claxton:

Q. Would you mind repeating the amount that is now in the hands of the Receiver General?—A. \$212,000. There is another cheque to-day. I do not know what it is. \$212,000 covers the period up to the end of December, 1941.

By the Chairman:

Q. You are going to bring up a statement of that at the next meeting?—A. I will bring that at the next meeting. I can break it down any way you wish after that.

Q. Thank you, Colonel. If you would be kind enough to be here at the next meeting, I will let you know when it will be.

THE CHAIRMAN: Gentlemen, with regard to the next meeting, as you know, we are endeavouring to have this committee meet so it will not clash with other committees on which the same members are sitting. I believe it will be impossible to have another meeting this week, but I believe we can arrange for a meeting a week from to-day. If you would like to leave it in the hands of the chair, we will try to arrange a meeting that will not clash, for a week from to-day. We will try to have the big committee room next week.

The committee adjourned at 1 p.m. to meet at the call of the chair.

APPENDIX "A"

P.C. 7520

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council by His Excellency the Governor General on the 21st December, 1940.

The Committee of the Privy Council have had before them a report, dated 18th December, 1940, from the Associate Minister of National Defence, representing that under existing regulations and agreements provision is made for the payment into a central fund of a portion of the profits arising out of the operation of canteens and other auxiliary services for the benefit of His Majesty's armed Canadian Forces during the present war.

The Minister is of the opinion that it would be advisable to determine as soon as possible in what manner the moneys paid into the central fund may be most advantageously dealt with in reference to custody, investment and control thereof and also the policy and method of management which should be adopted in the utilization and distribution of the said fund both for the benefit of those persons who have served during the present war in His Majesty's armed Canadian Forces and also for the benefit of dependents of such persons.

The Committee, therefore on the recommendation of the Associate Minister of National Defence, advise,—

1. That there be hereby constituted a Committee consisting of the following members:—

J. M. Macdonnell, Esquire, Toronto, General Manager National Trust Company.

Rudolphe DeSerres, Esquire, K.C., of the City of Montreal.

Watson Sellar, Esquire, Auditor General of Canada.

2. That Mr. Macdonnell be the Chairman of the Committee;

3. That Henry D. Dyde, Esquire, act as Secretary of the Committee;

4. That the duties of such Committee be to enquire into and make recommendations and report to the Minister of National Defence concerning—

(a) The collection, custody, investment and control of such moneys as shall accrue and become payable to the Government of Canada out of the profits arising from the operation of canteens and other auxiliary services for the benefit of His Majesty's armed Canadian Forces during the present war; and

(b) The policy and method of management which shall be adopted in the utilization and future distribution of the said fund for the benefit of those persons who have served in His Majesty's armed Canadian Forces and for the benefit of the dependents of such persons.

5. That the said Committee be empowered to receive and consider representations and recommendations from representatives of the National Defence Services and from the representatives of such other organizations or bodies as the Committee may deem desirable.

6. That all Departments of the Government shall, subject to existing regulations, furnish the Committee with such information as it may require with reference to the subject matter of enquiry herein referred to the said Committee.

7. That the said Committee shall make its recommendations and report with all possible expedition and shall thereupon be discharged.

8. That all members of the Board, serve without salary but that the Minister of National Defence may pay their actual out-of-pocket expenses.

9. That all expenditures incurred by the Committee in the performance of its duties shall be paid from moneys provided by the War Appropriation Vote of Parliament.

A. D. P. HEENEY,
Clerk of the Privy Council.

APPENDIX "B"

P.C. 224

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 13th January, 1941.

The Committee of the Privy Council have had before them a report, dated 6th January, 1941, from the Associate Minister of National Defence, representing that by Order in Council P.C. 7520 dated the 21st day of December, 1940, a Committee was constituted for the purpose of enquiring into and making recommendations and report to the Minister of National Defence as to the custody, investment, and control of moneys paid into the central fund from the profits arising out of the operation of canteens and other auxiliary services for the benefit of His Majesty's Armed Canadian Forces during the present War;

That by the said Order in Council Rodolphe DeSerres, Esquire, K.C., of the City of Montreal was named as a Member of the Committee, and it now appears that the said Rodolphe DeSerres is unable through ill health to undertake the duties of a Member of the Committee; and it is desirable to nominate another to take his place.

The Committee, therefore, on the recommendation of the Associate Minister of National Defence, advise,—

1. That the appointment of Rodolphe DeSerres as a Member of the Committee on Canteen Funds made by said Order in Council P.C. 7520, be cancelled.

2. That His Honour Leonce Plante, Recorder of the City of Montreal, be appointed and constituted a Member of the aforesaid Committee with the duties, rights and privileges of a Member as set forth in the said Order in Council P.C. 7520 of December 21, 1940.

(sgd.) A. D. P. HEENEY,
Clerk of the Privy Council.

The Honourable,
The Minister of National Defence.

APPENDIX "C"

P.C. 1087

Certified to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 14th February, 1941.

H.Q. 54-27-66-20

The Committee of the Privy Council have had before them a report, dated 10th February, 1941, from the Associate Minister of National Defence, representing,—

That by Order in Council P.C. 7520 dated the 21st day of December, 1940, a Committee was constituted for the purpose of enquiring into and making recommendations and report to the Minister of National Defence with reference to the profits arising from the operation of canteens and other auxiliary services;

That the said Order in Council was amended by Order in Council P.C. 224 on the 13th of January, 1941, by the addition of His Honour Leonce Plante in place of Rodolphe DeSerres, Esquire, K.C., as a member of the said Committee;

That certain questions have arisen as to whether portions of the profits arising out of the operation of canteens and other auxiliary services, other than the portion of profits for which provision is now made under existing regulations and agreements should be paid into the presently existing Central Fund; and

That he is of the opinion that it would be advisable to determine as soon as possible what, if any, additional moneys should be so paid into the said Central Fund; and in what manner the moneys paid in may be most advantageously dealt with in reference to custody, investment and control thereof; and also the purposes for which the said fund shall be used and the policy and method of management which should be adopted in the utilization and distribution of the said fund both for the benefit of those persons who have served during the present war in His Majesty's armed Canadian forces and also for the benefit of the dependents of such persons.

The Minister, therefore, recommends that Order in Council P.C. 7520 be hereby amended by the addition to Paragraph 4 thereof of the following subparagraph (e):

- (e) The question as to whether certain portions of the profits arising from canteens other than the portion of profits for which provision is now made under existing regulations and agreements should be paid to the Government of Canada; and in what manner such moneys may be most advantageously dealt with in reference to custody, investment and control thereof; and the purpose for which such funds shall be used.

The Committee concur in the foregoing recommendation and submit the same for approval.

A. D. P. HEENEY,
Clerk of the Privy Council.

The Honourable,
The Minister of National Defence.

APPENDIX "D"

P.C. 1959

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by The Deputy of His Excellency the Governor General on the 24th March, 1941.

The Committee of the Privy Council have had before them a report, dated 19th March, 1941, from the Associate Minister of National Defence, representing:

That by Order in Council P.C. 7520 dated the 21st day of December, 1940, as amended by Order in Council P.C. 224 of January 13, 1941, and further amended by Order in Council P.C. 1087 of February 14, 1941, a Committee was constituted for the purpose of enquiring into and making recommendations and report to the Minister of National Defence with reference to the profits arising out of the operation of canteens and other auxiliary services;

That such Committee is now engaged in making such enquiries;

That certain questions have arisen as to the disposition of moneys accruing to the Government of Canada by reason of the sale of kitchen by-products in Service messes, and that it would be appropriate to have an enquiry made into these questions by the same Committee and receive the Committee's recommendations and report thereon.

The Committee, therefore, on the recommendation of the Associate Minister of National Defence, advise that Order in Council P.C. 7520 be hereby further amended by the addition thereto of subparagraph (d) to paragraph 4 thereof as follows:—

- (d) The most advantageous disposition of such moneys as shall accrue and become payable to the Government of Canada by reason of the sale or other disposition of the kitchen by-products of Service messes, including the question as to what proportion, if any, of such moneys shall be retained by the Government of Canada; and the purpose for which such moneys shall be used.

(Sgd.) A. D. P. HEENEY,
Clerk of the Privy Council.

The Honourable
the Minister of National Defence

APPENDIX "E"

SPECIAL COMMITTEE ON CANTEENS

(Appointed by Order in Council, P.C. 7520)

REPORT AND RECOMMENDATIONS

August 30, 1941.

1. Terms of Reference.

The Committee was constituted by Order in Council P.C. 7520 of December 20, 1940 (as amended by P.C. 224 of January 13, 1941; P.C. 1087 of February 14, 1941; and P.C. 1959 of March 24, 1941) for the purpose of enquiring into and making recommendations and report to the Minister of National Defence concerning

- (a) The collection, custody, investment and control of such moneys as shall accrue and become payable to the Government of Canada, out of the profits arising from the operation of canteens and other auxiliary services for the benefit of His Majesty's armed Canadian Forces during the present war, and (P.C. 7520)
- (b) The policy and method of management which shall be adopted in the utilization and future distribution of the said fund for the benefit of those persons who have served in His Majesty's armed Canadian Forces and for the benefit of the dependents of such persons. (P.C. 7520)
- (c) The question as to whether certain portions of the profits arising from canteens other than the portion of profits for which provision is now made under the existing regulations and agreements should be paid to the Government of Canada; and in what manner such moneys may be most advantageously dealt with in reference to custody, investment and control thereof; and the purpose for which such funds shall be used. (P.C. 1087)
- (d) The most advantageous disposition of such moneys as shall accrue and become payable to the Government of Canada by reason of the sale or other disposition of the kitchen by-products of Service messes, including the question as to what proportion, if any, of such moneys shall be retained by the Government of Canada; and the purpose for which such moneys shall be used. (P.C.1959)

2. Purpose for which funds eventually to be used.

While the terms of reference include a direction to consider the method of management to be adopted in the future distribution of the fund, the Committee early came in the conclusion that it was not desirable at the present time to make a recommendation of this nature. Three reasons prompted this view. In the first place there appears to be no particular urgency in the use of the fund inasmuch as the rehabilitation of those leaving the armed forces during the continuance of the war will be much less difficult than in the case of the large numbers that will be demobilized at its close. Labour conditions generally and the opportunities for employment that are afforded by the acceleration of industrial activity during the war are felt to be such that no material advantage is to be gained by making the fund available now. Needy cases will of course arise during the war, but the real need will undoubtedly arise after the war is over. In the second place the Committee feels that any conclusion arrived at now might prove later on and under different circumstances to be unwise and to have failed to take into account important factors which cannot now be foreseen. Thirdly, with the limited profits that have in fact accrued after fifteen months of hostilities it would not be desirable to formulate a definite plan until some idea could be formed of the possible total.

On February 7, 1941, the Committee waited on the Associate Minister of National Defence and discussed these views with him, at which time Mr. Power signified his approval of the foregoing. Later the same day the Chairman wrote to the Associate Minister confirming the understanding thus reached.

3. The Purpose of the Committee.

Having agreed with the Associate Minister to leave Paragraph 1 (b) above in abeyance the Committee proceeded to consider the remaining points included in the terms of reference. The purposes of the Committee were considered under the following heads:—

First question—

What moneys should be deposited in the Central Fund from sources in Canada.

Second Question—

Whether there should be one Central Fund or three; i.e. a separate fund for each of the armed services.

Third Question—

What moneys, if any, should be added to the fund from Canteen sources in the United Kingdom, and

Fourth Question—

What disposition should be made of moneys received from the sale of kitchen by-products?

Before considering these in detail the procedure followed by the Committee is noted in the next following paragraph.

4. Procedure.

Following the setting up of the Committee in the latter part of December, 1940, letters were sent to the personnel heads of the three services, to the four national organizations of the Auxiliary Services, namely, the Salvation Army, the Canadian Legion, the Knights of Columbus and the Y.M.C.A.; and to numerous organizations of ex-service men or of those directly interested in and having some experience of ex-service men's problems. These organizations were informed of the constitution and purpose of the Committee and were invited to file briefs. The Committee on Demobilization and Re-establishment of the Department of Pensions and National Health was also communicated with and requested to offer assistance and suggestions. In most cases briefs have been filed setting out the considered views of the officers of the organizations concerned.

The Committee met at Ottawa on February 7 and 8, 1941. At that time it appeared that certain aspects of the problems to be considered gave rise to questions on which it was felt that the opinions of the Senior Overseas Officers of the three services would be of assistance. Further deliberations of the Committee were accordingly adjourned until replies could be received from these officers. Some delay occurred owing to the necessity of carrying on a part of the correspondence by mail, and it was not until the latter part of June that all replies were received.

The Committee met again at Ottawa on July 16 and 17, 1941. At its sittings the Committee had the advantage of interviewing and hearing representatives of the three services, all of whom were most helpful in giving the Committee the benefit of their knowledge and experience.

The officers of the Department of National Defence were also kind enough to furnish a very complete memorandum on the question of the disposal of funds received from the sale of kitchen by-products.

3. First Question: What moneys should be deposited in the Central Fund from sources in Canada.

(a) At the outset it should be noted that the principle of a central fund had been accepted and acted upon prior to the Committee being constituted. Under the terms of an Agreement made between the four national organizations comprising the Auxiliary Services and the Minister of National Defence for the operation of canteens by such organizations in Canada, five per cent of the gross receipts is payable monthly to the unit or units served by the canteens in each case; an allowance of two per cent of the gross receipts is retained by the organization to cover supervision, accounting and other similar overhead; and the net profits, after deducting the foregoing and other specified items of cost, are paid to the Minister or an officer designated by him and deposited with the Receiver General of Canada.

At the 30th day of June 1941 there were about 100 canteens in operation by the four national organizations under this agreement, three being in Newfoundland, the remainder in Canada. The same organizations operate additional canteens, both stationary and mobile in the United Kingdom, but it appears that such overseas canteens are not subject to any agreement as yet and certainly have made no contribution to the Central Fund. Reference will be made later to the overseas situation in this regard.

In view of the discussion which arose in the Committee, referred to more fully in Paragraph 6, as to whether there should be one fund or three, it is of interest to note that in certain cases, where a canteen is regularly patronized by the members of more than one service, an attempt has been made to apportion the profits equitably among the services according to the degree of use made of the canteen by the members of the respective services. The profits deposited with the Receiver General from the canteen operated at Halifax by the Knights of Columbus are allotted 50 per cent to Navy, 38 per cent to Army and 12 per cent to Air Force, while profits from the canteen operated by the Y.M.C.A. at No. 1 Manning Depot, Toronto, are allotted entirely to Air Force. (The statistics filed with the committee showed that this Toronto canteen has been operated at a loss.)

At January 25, 1941, a total of \$21,855.81 had been deposited with the Receiver General, \$17,158.54 being from the operations of canteens in Canadian Army Active Units and \$4,697.27 being from canteens in Reserve Army Training Centres.

At July 15, 1941, the amount deposited with the Receiver General from both Active Army and Reserve Army Training Centres had increased to \$56,434.37. A further sum of \$7,797.73 had been reported but the cheques had not actually been received. As the gross sales amounted to \$2,147,325.98, according to figures supplied by the President, Regimental Funds Board, the total of the amounts received by or payable to the Receiver General represents approximately three per cent of such sales.

From this record it would seem that no large fund can be expected to accumulate out of the profits of canteens operated by the four national organizations.

(b) The briefs submitted by the three services show, however, that there are numerous other canteens being operated by each of the services and statements made to the Committee by the service representatives were to the effect that these were earning substantial profits. The Navy operates ships canteens afloat and shore canteens at the Atlantic and Pacific Coasts; many of the Active Army Units in Canada operate regimental or unit canteens; and three are canteens at the various schools and establishments of the Air Force. The Adjutant-General's Branch supplied figures showing that in the canteens operated by the Active Army Units and Formations and Active Army Training Centres in Canada in the period from April 1, 1940 to March 31, 1941, gross sales amounted to \$4,986,009.28; gross profits on such sales amounted to \$920,713.38 (or approx. 18.5 per cent); net profit to \$771,802.56 (or approx. 15.5 per cent). The Air Member for Personnel supplied a memorandum tabulating the results of R.C.A.F. operated canteens for the three months' period ending March 31, 1941 in so far as these were available. He stated that during this period there were forty-nine canteens in operation. (By July 1941 this number had increased to sixty-four.) Completed returns had been received from thirty-five of the forty-nine, and gross sales for the period in these thirty-five canteens amounted to \$518,896.00. The total gross profit on this sum was \$86,931.37 (or 16.75 per cent).

From these returns it is apparent that a very large canteen business is being carried on in connection with the three services from the returns of which nothing has up to the present time been diverted to the Central Fund. Accordingly, the

question which the Committee next considered was whether it was desirable to have a share of the profits from these canteens added to the Central Fund.

The service representatives who appeared before the Committee were not unanimous in their views on this point. The Navy representatives pointed out that ships canteens were regarded in the service as being entirely within the control of the ratings themselves and that in any event the profits earned would be relatively small; that it would be necessary to ask the ratings voluntarily to give up a proportion of the profits; and that if such voluntary contribution were made it would be preferable to have it paid into a Navy Benevolent Fund which the service officers were endeavouring to encourage at the present time. The Army representatives from the Adjutant-General's Branch expressed themselves as being in favour of diverting a part of the profits to a Central Fund but also favoured the suggestion to keep the funds of the three services separate. These officers went further and after careful deliberation suggested that two per cent of gross sales would be a fair figure at which to set such contribution, and pointed out that if such a deduction had been made from Active Army canteens in the year between April 1, 1940, and March 31, 1941, the sum realized would have been approximately \$100,000.00 compared with the net profit of \$770,000 which was actually realized in the same period. The Air Force representatives were not opposed to a contribution being made from canteen profits but made vigorous representations in favour of having it paid to the R.C.A.F. Benevolent Fund. By the terms of an Administrative Order of R.C.A.F. one per cent of the gross sales of canteen operated in connection with Air Force establishments is now payable to the Benevolent Fund.

After consideration of the various factors involved, the Committee feels that it is desirable to enlarge the Central Fund by a contribution on the basis of two per cent of the gross sales of all canteens operated by the Navy, the Active Army and the Air Force. The record shows that no large fund can be expected to accumulate out of the profits of canteens operated by the four national organizations. Such information as has been received with reference to N.A.A.F.I., in the United Kingdom does not indicate large payments from that source. Practically all the briefs filed with the Committee anticipate the necessity for a fund after the war to meet marginal and exceptional needs which could not be met by any policy subject to strict application. Whatever disposition in detail of the fund is made at the close of the war there is no doubt in the minds of the members of the Committee that the more substantial fund thus to be accumulated will answer, to some extent at least, a real need in the lives of ex-members of the forces and their dependents, especially in cases marginal to general rehabilitation policies and to emergency situations. If it is to be confined to the undistributed profits of the canteens operated by the four national organizations in Canada it is not likely to reach a considerable figure. On the other hand, if additions are made to the fund as is suggested we feel that the two per cent will not really be missed by the members of the services now; that it will not destroy the incentive to create profits; that it will not embarrass the operation of the canteens for normal needs; and that it will have the effect of building the fund to a worthwhile figure. As already pointed out, the rate of two per cent was suggested by the army representatives who have given the question careful study. While Navy and Air Force representatives were not in favour of the proposed destination of the money, they both agreed that it was a reasonable and workable figure if such a contribution were to be made.

The Committee wishes accordingly to recommend that an amount equal to two per cent of gross sales of Navy Ships and Shore Canteens, of canteens operated by Active Army Units and Formations and Training Centres, and of R.C.A.F. Canteens be made available to the Central Fund.

(c) No mention has been made of certain other canteens, institutes and messes which are operating presumably at a profit. Reserve Army Units operate canteens in many places; and there are non-commissioned officers' and officers' messes in the three services. The Committee however does not suggest that these should contribute at the present time. Experience shows that profits made in officers' and non-commissioned officers' messes go largely to reduce the mess bills of the members. Moreover, these messes are not encouraged to make large profits. With regard to the Reserve Army Units, it is felt that they probably need any profit that can be realized for the purposes of their regimental funds.

6. Second Question: Whether there should be One Central Fund or Three (i.e. one for each service).

Some indication has already been given in the preceding paragraph of the views held by the service representatives on this question. The Air Force has already established a Benevolent Fund which is in active operation and which is receiving contributions from various sources. There seems to be very little doubt that the existence of such a fund tends to encourage private donations and other similar means of increasing its receipts, and the officers of the Air Force are to be congratulated on the vigorous manner in which they have fostered the fund and the careful thought that is apparent in the regulations for its use. The Air Force officers argued strenuously that their Benevolent Fund should be maintained as it stood and that if any percentage of canteen receipts were to be taken such moneys should be paid to the Benevolent Fund and not to a general central fund made up of contributions from the canteens operated in all three services.

A similar fund, although perhaps not so well organized nor so far advanced, exists in the Navy, and the representatives of the Navy also took a strong stand in favour of maintaining it and of applying to it any percentage of canteen profits which might be decided upon.

The view of the Army officers was perhaps not so strongly expressed, but was definitely favourable to the creation of a separate fund for each of the three services rather than one central fund for all. We were told that there would be confusion and difficulty in administration if the funds were not so separated. The General Officer Commanding, Canadian Corps, has cabled his view that there should be a fund for each service rather than a joint fund.

The Committee is of the opinion that the Benevolent Fund has a real place, both present and prospective, in the services: and that on a long range view these funds should be conserved for the purposes for which they are best suited, namely to encourage and promote esprit de corps and well-being in the respective services. We would suggest that they be placed on a strong legal basis, with an admixture of service and civil control to ensure continuity and sound administration. But we do not feel that they should be made responsible for the extraordinary load which will inevitably arise out of post-war demobilization.

While giving due weight to the opinions expressed by the service representatives, the Committee has come to the conclusion that the advantages of one central fund outweigh the arguments in favour of separate funds. We feel that the services are comparatively small permanent groups of service men which have been swollen to many times their normal size by the influx of thousands of civilians during the temporary conditions existing in wartime and that at the end of the war they will revert more or less to normal size again when demobilization takes place. While ex-members of the forces will no doubt carry with them into civil life the peculiar and natural pride in their own branch of the service, nevertheless the problems confronting them will be those of re-establishment for the future and here the exigencies of past service will play a small

part in comparison to the fundamental necessity of ensuring that these men and their dependents are enabled to resume a sufficient and useful position in the civil community. We feel that far from being difficult to administer, the one central fund for all ex-service men, irrespective of the branch in which they served, and administered by one civilian tribunal on a board basis, will in fact make for simplification and uniformity in administration rather than otherwise.

7. Third Question: What moneys, if any, should be added to the fund from canteen sources in the United Kingdom.

So far as can be ascertained, the present situation in the United Kingdom is substantially as follows:—

(a) N.A.A.F.I. While no formal agreement has been reached in respect of canteens operated by the Navy, Army, and Air Force Institutes for the benefit of Canadian troops there is a working arrangement whereby six per cent of gross sales of N.A.A.F.I. is being paid to the Division served by such canteens. It appears that there may be an additional participation in N.A.A.F.I. trading profits at intervals during the war and that still further participation is anticipated when final profits are ascertained at the end of the war. Particulars of the amounts paid by N.A.A.F.I. are not available.

(b) No agreement has been completed with regard to the operation of canteens in the United Kingdom by the four national organizations, and no share of profits from such canteens is being paid either to the units served or to any central fund. Two of the four organizations, viz. Y.M.C.A. and Salvation Army operate stationary canteens, while the Canadian Legion and the Knights of Columbus operate mobile canteens. We are informed that the question of an agreement, including the question of the disposition of profits, is now under consideration.

(c) Unit Canteens. Since the summer of 1940 Canadian troops have been stationed for long periods in operational areas outside of the zone in which N.A.A.F.I. has been established with the result that units have set up canteens of their own. No information is available at Ottawa as to the number of these nor as to their sales and profits.

(d) As a result of a letter addressed to him by the Chairman outlining the work of the Committee and requesting his views, the General Officer Commanding, Canadian Corps, has cabled that in his opinion N.A.A.F.I. profits as distinct from the current rebate should go into a central fund, but that Auxiliary Services margin from overseas operations should be re-utilized directly in the same theatre for the benefit of the troops and that he was opposed to assessment on overseas unit canteens in the belief that such revenue could be applied for the benefit of troops by Unit Commanders and knowing that such action would cause strong feeling and continued resentment.

(e) With reference to the United Kingdom the Committee realizes that there may be factors in the situation which require further consideration. For example the point has been raised, although not settled, that possibly the troops in the United Kingdom have more need for canteen profits in the purchase of necessaries than in the case in Canada. The Committee is therefore of the opinion that

- (1) The residual N.A.A.F.I. profits over and above the current rebate of six per cent should be paid into the central fund;
- (2) if an agreement is reached with the four national organizations whereby profits are distributed, a portion of the profits similar to the percentage paid in Canada should be paid into the central fund;

- (3) in the case of unit canteens, while still unconvinced that there should be any difference made between canteens in Canada and the United Kingdom, the Committee is not in a position to make a final recommendation in view of the fact that full information is not available as to the actual circumstances surrounding the operation of these canteens. Furthermore, the Committee was informed that officers of the Adjutant General's Branch were proposing to make further enquiries into the overseas situation possibly by having an officer go there to obtain first hand information. If the Minister wishes the Committee to consider this matter further when fuller information is available the services of the Committee are at his disposal for this purpose.

8. It will be necessary to provide for the control and disposition of the central fund during the war years. The fund will be larger than was anticipated when the agreement with the four national organizations was drawn up, and it will accumulate for the duration of the war. The moneys on hand are not earning interest. In view of the fact that the Committee is not now making a recommendation as to its ultimate use, it is felt that for the present and until a board of trustees is organized it would be advisable to appoint custodians of the moneys. The Committee, therefore, recommends that for the present custodians should be appointed, that the moneys paid to the Government should be invested in securities of, or guaranteed by, the Government of Canada, and suggests that the Committee should consist of The Governor of the Bank of Canada, the Deputy Minister of Finance, and the President, Regimental Funds Board.

9. Fourth Question: Kitchen By-Products.

The Committee finds that the Judge Advocate General has given an opinion to the effect that the terms of the Consolidated Revenue and Audit Act, 1931, require that all such moneys be deposited to the credit of the Consolidated Revenue Fund. The Committee also observes that the subject matter has, subsequent to the passing of the Order in Council of March 24, 1941, (P.C. 1959), been taken under consideration by the House of Commons Special Committee on War Expenditures, and that the Quartermaster General has explained the matter to it. From the limited enquiries which the Committee made it was not established that any serious hardships are being experienced currently by the army units in this connection. Therefore, as any change will involve legislation, the Committee believes it would be expedient to defer further action on this subject until the Parliamentary Committee makes a report.

J. W. MACDONNELL, *Chairman.*

(Sgd.) MR. L. PLANTE, *Member.*

(Sgd.) WATSON SELLAR, *Member.*

APPENDIX "F"

GENERAL ADVISORY COMMITTEE ON DEMOBILIZATION AND REHABILITATION

INTERIM REPORT BY SUBCOMMITTEE ON THE ADMINISTRATION OF SPECIAL FUNDS

In view of the appointment of a special Committee under P.C. 7520 to report upon the custodianship, auditing, investment and control of all funds derived from canteens and from other services, and designated to be expended for and on behalf of ex-service men of the present war, the subcommittee on the

Administration of Special Funds submits the following report. The report does not deal exhaustively with the various funds of which the Department of Pensions and National Health has knowledge, but it is hoped that sufficient information has been gathered together to indicate the policies which have been followed and the objects to which the funds have been devoted, and to lay the basis for the recommendations of the subcommittee in respect of similar funds which may become available for the benefit of ex-service men as a result of the present war. Attention is called to the very full statements which appeared from time to time with reference to the Canteen Funds as a result of investigation by Royal Commissions and parliamentary inquiry. The report is divided as follows:—

- A. Review of Various Funds.
- B. Comment.
- C. Recommendations.

A. Review of Various Funds.

1. Canteen Funds.

In respect of Canteen Funds the following table summarizes the Canadian Military Trust Funds Overseas in trust with the Finance Department from March, 1921.

CONSOLIDATED ACCOUNT AS AT JUNE 18, 1924

Description of Account	Principal	Interest	Total
Canteen Main Account (A)	\$1,687,928.14	\$ 55,554.49	\$1,743,482.63
Cinematograph Account (B)	48,666.66	2,603.21	51,269.87
Regimental Funds Account (C)	289,433.45	58,061.07	347,494.52
	<u>\$2,026,028.25</u>	<u>\$116,218.77</u>	<u>\$2,142,247.02</u>

This statement was in accordance with consolidated account as at June 18, 1924, but subsequently further amounts were received from the British War Office, the War Office Cinematograph Committee, the Admiralty, and as late as 1928 certain sums were received in respect of Units of the Canadian Expeditionary Force which had served in Siberia, St. Lucia, and elsewhere. This amount totalled \$129,690.31, received at the end of 1928, and is in addition to the \$2,350,000 with interest mentioned in the Act. It should be noted that all these amounts were disposed of by the Canteen Funds Act of 1924 and 1928.

Considerable controversy took place, after the last war, as to the disposal of Canteen Funds and the documentation in Hansard is very considerable, owing to representations made by returned soldier organizations. Careful consideration was given to the whole subject by the Ralston Commission on Pensions and Re-Establishment, appointed by Order in Council P.C. 1525 of July 22, 1922, and a long report was made by the Commission as to the whole matter. Your Committee is referred to pages 138 to 1840 of Sessional Paper 203a. (14-15 Geo. V, A. 1924). This Commission showed clearly the origin of the funds and also analysed the result of the post-card ballot which was made among veterans in order to secure an expression of opinion as to the disposal of the funds. A plebiscite showed only 22,000 votes out of 550,000 ballots distributed. A survey of the returns disclosed that the first choice was as follows:—

"Scheme A—

"Establishment of memorial workshops for the provision of sheltered employment and home employment for disabled ex-service men, including the tuberculous	5,764
"Cash Distribution	3,574

"Scheme B—

"Establishment of a non-competitive industrial enterprise jointly owned and operated by ex-service men	2,874
--	-------

"Scheme C—

"Provision of scholarships or other educational facilities for the children of ex-members of the Forces in need of such assistance.. . . .	2,298
"Lottery	2,297

"Scheme D—

"Provision of burial facilities for ex-members of the Canadian Forces who die in indigent circumstances	689
"Loaning Corporation	392
"Miscellaneous Schemes	3,598
"Spoiled Ballots	1,488

Total	22,974
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FINAL RESULT

"Scheme A	11,565
"Single votes not cast for the above and spoiled ballots	11,409
Total	22,974"

There were in addition no less than forty-seven suggestions for the employment of the funds. The Commission, after considering all the evidence, recommended the following:—

"1. That requisite legislative provision be made so that, under direction of the Governor in Council, any necessary accounting he had to ascertain and certify the amount, including interest, properly belonging to the funds and held by the Receiver General under P.C. 3144 of December 18, 1920, and to have said funds (excepting the sum of twenty-thousand dollars to be held for payment of any outstanding accounts in respect of the Units, the funds of which are included in said amount), hereafter referred to as the "Canteen Fund", distributed as follows:—

(a) The sum of \$100,000 to be paid to a Central Board of three Trustees, at least two of whom have had overseas service, to be appointed by the Governor in Council, without remuneration, such sum to be used by such Central Board of Trustees from time to time in such amounts and in such manner as it may deem best for the maintenance and assistance of an adjustment service and bureau for the benefit of ex-service men and their dependents.

(b) The sum of \$50,000, to be paid to the United Services Fund of Great Britain and the sum of \$50,000 to be paid to the American Red Cross to be used by them respectively in such manner from time to time as they deem proper for assistance in specially meritorious cases for ex-members of the Canadian Expeditionary Force who have served in France or England, and their dependents, resident in Great Britain or the United States as the case may be, and who are in genuine distress.

(c) The residue of the Canteen Fund to be divided into nine provincial allotments in the proportion indicated by the following percentages:—

	Percent
Alberta	7.346
British Columbia and the Yukon	10.286
Manitoba	10.702
New Brunswick	4.203
Nova Scotia	6.439
Ontario	41.641
Prince Edward Island . . . . .	.857
Quebec	12.718
Saskatchewan	5.808
	100.000

(d) Upon notification of the appointment by the Lieutenant Governor in Council, of any province, of the Provincial Board of Trustees hereinafter referred to, the provincial allotment, determined as above, in respect of the territory indicated to be paid over to said Provincial Board of Trustees.

2 (a) That the necessary steps be taken to procure the effective appointment and authorization by the Lieutenant Governor in Council of each province of a Provincial Board of Trustees, without remuneration, composed of citizens of the Provinces, five for the Province of Ontario and three for the other provinces, a majority of whom shall have served overseas, to perform the duties specified hereunder and any other duties which may be considered necessary concerning the provincial allotment in respect of such Province determined as set out in paragraph 1 (c) above.

(b) The duties of the Provincial Boards of Trustees to be to receive and hold the Provincial allotment and to ascertain, by such method as may appear to them most feasible, the wishes of those interested and residing in the province or, in the case of British Columbia, in the Province and the Yukon, concerning the disposition of such allotment and, following this, to determine the object to which the allotment should be devoted, and, as far as may be necessary, to administer same for such object or to provide for such administration by others and to do such other things as may be indicated in the Order in Council appointing them. The expenses in connection with the trust to be a charge on the allotment."

The action taken on the recommendation of the Commission was embodied in Chapter 34, 15-16 Geo. V Assented to June 27, 1925. There were certain changes in the percentages allotted to the various provinces, and the final result is shown by the following excerpt from a letter from the Assistant Deputy Minister, Department of Soldiers' Civil Re-Establishment, to the Minister of National Defence of February 15, 1927:—

"Under the Canteen Funds Act the following amounts were dealt with separately:—

To be held by the Receiver General for the payment of outstanding accounts or claims in respect of the Units the funds of which were included in the Canteen Funds	\$ 20,000.00
To Disablement Fund, in reimbursement of loan made to the Dominion Veterans' Alliance	15,000.00
To American Red Cross for benefit of Canadian ex-soldiers in the United States	50,000.00
To the United Services Fund of Great Britain for the benefit of Canadian ex-soldiers in the United Kingdom	50,000.00
Total	\$135,000.00

Deducting this amount from the figure quoted above, there was a balance available for distribution among the provinces of \$2,302,586.08. This has been distributed in the following manner, in accordance with the provisions of the Act:—

	Percent	\$
Ontario	41.237	949,517.42
Quebec	11.622	267,606.54
British Columbia	10.944	251,995.03
Manitoba	10.654	245,317.52
Alberta	7.752	178,496.47
Saskatchewan	7.162	164,911.22
Nova Scotia	5.549	127,770.51
New Brunswick	4.072	93,761.31
Prince Edward Island . . . . .	.739	17,016.11
Yukon . . . . .	.269	6,193.95
	100.000	2,302,586.08

In view of the fact that the Ontario Trustees were only appointed in December last, the Ontario share was held for approximately one year longer than the share of the other provinces, hence the amount set down above as having been paid to Ontario should be increased by the sum of \$28,154.41, interest to December 31st, 1926."

Administration of Funds

With regard to the amounts held by the Receiver General and the amount paid by the Disablement Fund on account of loan, no comment is necessary.

The amount paid to the American Red Cross for the benefit of Canadian ex-soldiers in the United States has been administered by the American Red Cross to the satisfaction of the Department of Pensions and National Health. The balance of account on the 31st of March, 1940 was \$8,739.11, and during the years a yearly report has been furnished to the Department of Pensions and National Health in respect of this amount. (We attach as an appendix information as to the type of case covered by this fund.)

The total amount left in the United Services Fund of Great Britain is £2,297. 7s. 9d. The Department of Pensions and National Health through their representative in London receive reports as to the disbursements from this fund from time to time. Annual reports in respect of this fund are on file.

Funds Disbursed Before Provincial Distribution

Certain funds were disbursed before the distribution to the Provincial Trustees, as follows:—

1. In 1921, \$50,000 was paid to the Dominion Command of the Great War Veterans' Association.
2. \$120,000 was paid to the Dominion Command of the Great War Veterans' Association and twenty-one other ex-service men's organizations.

The money given to the Dominion Command of the Great War Veterans' Association was not spent on unemployment relief for ex-service men, but chiefly for organizational activities.

Attention is called to the report of the Sub-Committee of the Senate of Canada which inquired into administration of Canteen Funds' Disablement Fund, and the manufacture and sale of poppies. (14th Parliament, 4th Session, 15-16 Geo. V. 1925.)

Provincial Boards of Trustees

The balances as at March 31st, 1940 in respect of Canteen Funds are as follows:—

	Total Allotted	Balance	Date
Alberta	\$ 190,124.68	\$ 62,012.23	31.3.40
British Columbia	254,183.82	.....	31.3.37*
Manitoba	261,298.81	63,387.08	31.3.40
New Brunswick	99,869.42	49,303.49	31.3.40
Nova Scotia	136,094.16	280.70	31.3.40
Ontario	1,039,528.45	689,839.19	31.3.40
Prince Edward Island	18,124.63	.....	31.3.38*
Quebec	285,039.87	100,694.05	31.3.40
Saskatchewan	175,654.42	5,432.70	31.3.40
Yukon	6,597.46	2,955.92	31.3.40
United States	50,000.00	8,769.11	31.3.40
United Kingdom	50,000.00	£2,297.7.9	31.3.40

* Exhausted.

It will be observed that the final total allotted is greater in each case than the allotment described in the Deputy Minister's letter of February 12th, 1927, accounted for by interest and subsequent additions to the fund.

The following comments are made as to the disposal of these funds:—

ALBERTA

The policy of the Alberta Board of Trustees was to grant assistance in the form of loans. As far as is known the remaining Alberta investments are in Alberta and other bonds. The market value of the shares held is \$40,112 as

against book value of \$109,450. The Trustees are not now in a position to undertake any extensive program of assistance. There have been many changes in the investment portfolio of the Alberta Trustees which owing to conditions have involved the Trustees in capital losses.

QUEBEC

In the main disbursements have been in respect of veterans in need of financial assistance through sickness, etc.

BRITISH COLUMBIA

In British Columbia the 11th annual report of the Canteen Funds Board dated March 31st, 1937 showed that the fund has been exhausted. The summary in this report is as follows:—

11 YEAR SUMMARY ENDING MARCH 31, 1937

Year	Applications	New Files	Total	Year's Exp.	Total	Average
1926-27.. . . .	....	219	219	\$ 9,122.82	\$ 9,122.82	\$41.65
1927-28.. . . .	....	440	659	28,251.10	37,373.92	56.73
1928-29.. . . .	....	606	1,265	36,942.86	74,315.78	58.75
1929-30.. . . .	....	705	1,970	37,956.52	112,272.20	56.99
1930-31.. . . .	3,352	1,280	3,250	47,663.26	159,936.56	49.21
1931-32.. . . .	3,460	1,470	4,720	42,308.20	202,244.76	42.84
1932-33.. . . .	3,423	1,084	5,804	23,374.43	225,619.19	38.86
1933-34.. . . .	3,709	1,224	7,028	29,126.51	254,745.70	36.25
1934-35.. . . .	4,870	1,122	8,150	26,388.70	281,134.40	34.49
1935-36.. . . .	6,052	1,125	9,275	32,415.98	313,560.38	33.81
1936-37.. . . .	891	200	9,475	8,732.88	322,293.26	34.01

As at March 31, 1937, whilst there was only \$184.80 cash on deposit, there were a number of loans shown as assets in respect of Canadian Legion properties which may or may not be collectible.

MANITOBA

Total Allotted—\$261,298.81 Balance—\$63,387.08

In the main the cases handled would appear to have been veterans in need of financial assistance, with some attention to educational projects.

ONTARIO

Total Allotted—\$1,039,528.45 Balance—\$689,839.19

Ontario set out at the beginning to conserve their assets and an endeavour was made to meet demands for a decade from the income from the investment of a million dollars. This action was prompted by the belief that the heaviest demand on the Canteen Fund would commence in a few years. As a result of this policy the Ontario Board of Trustees have now on hand \$689,839.19, and it is understood that their portfolio of investments is reasonably satisfactory and they have a continuing income from this invested capital. It was the policy of this Board to give to the Canadian Legion \$5,000 per year for their Adjustment Bureau work.

It is worth noting that the assumption of the Ontario Board that the fund could be used for "burnt-out" veterans has hardly been justified since cases can now be dealt with under the Dominion War Veterans' Allowance Board.

After twenty years, the Ontario Board is now in possession of a fund of over \$600,000 which cannot be used for veterans of this war, need not be used for the "burnt-out" veterans owing to the Dominion legislation, and can hardly now be applied for education of veterans' children, many of whom are in their

late teens. The policy of the Ontario Board is in striking contrast with those adopted by certain other provincial boards, and it is difficult to see what ultimate disposal of their funds they can make under the terms of reference of the Act which definitely specifies the following as the objects:—

1. For assistance in the education of children of ex-service men, special cases.
2. For relief of urgent cases amongst ex-service men (not pensioners), resulting from sickness, operations, etc.
3. For relief of urgent cases of widows and orphans of ex-service men (not pensioners), resulting from illness, etc.
4. No relief to be granted for conditions resulting from unemployment.

SASKATCHEWAN

In the case of Saskatchewan, on March 31, 1939, report showed \$5,432.70. In March, 1940, a report was requested but was not received. Subsequently investigation into the administration of the Saskatchewan Canteen Fund took place, and copy of a letter from the Premier of Saskatchewan to the Secretary of the Department of Pensions and National Health, dated July 12, 1940, shows the position. It will be noted that the Saskatchewan Government has agreed to pay into the fund, \$38,960.90, being the amount which the Commissioner found to have been improperly and illegally paid out.

NOVA SCOTIA

Balance \$280.70 as at 31.3.40.

A policy of assistance to veterans in need was adopted in Nova Scotia, and in certain cases loans were made to various individuals, which were still outstanding and apparently uncollectible.

NEW BRUNSWICK

Total Allotted—\$99,869.42 Balance \$49,303.49 as at 31.3.40.

PRINCE EDWARD ISLAND

Total Allotted—\$18,124.63 Fund exhausted 31.3.38.

2. Regimental Funds

In addition to the Canteen Funds the *Canada Gazette* of November 17, 1917, shows the following recapitulation of Regimental Funds returned to Canada to be placed at the disposal of Regimental Units, the last of which was given in Schedule A. of the *Canada Gazette* of November 17, 1917, pages 1590 to 1594.

RECAPITULATION

Trusts created in Canada as per Schedule.....	£37,366	9s.	9d.
Estimated funds in England available for settlement in Canada....	£20,000	0s.	0d.
Estimated value of band instruments disposed of.....	£16,961	18s.	0d.
Estimated value of other regimental property and assets, including field kitchens returned to Canada, or otherwise disposed of....	£20,000	0s.	0d.
	£84,328	7s.	9d.

These Regimental Funds belonged to disbanded units in England which on the authority of the Regimental Funds Board were returned to Trustees of Regimental Funds in Canada.

It should be noted that these Regimental Funds were in some cases used to assist ex-service men of specific units but the Department of Pensions has no official record of the actual amounts disbursed in this way by various units. It may be that such a record exists in the Department of National Defence.

3. *Disablement Fund.*

The Disablement Fund had its inception in the year 1915, at which time money was being subscribed by public spirited citizens to the Government for the purchase of machine guns, which it had been claimed, through an erroneous newspaper report, were not being supplied to the Canadian Troops owing to lack of money.

Sir James Loughheed, then President of the Military Hospitals Commission and Acting Minister of Militia and Defence, authorized the late Mr. E. H. Scammell, then Secretary of the Military Hospitals Commission, to endeavour to arrange to have at least a part of the subscriptions then being raised diverted to create a fund which might be used to assist disabled members of the Canadian Forces. Sir James Loughheed authorized Mr. Scammell to administer any moneys thus obtained.

The largest subscription to the fund was made by Sir James Carruthers, of Montreal, amounting to \$100,000. Mr. Carruthers, however later requested that \$35,000 should be transferred to the Canadian National Institute for the Blind, which action was taken, thus reducing the amount of his subscription to \$65,000.

Mr. Scammell continued to act as sole Trustee without remuneration, until the 4th March, 1932, when by Order in Council P.C. 438, Lt.-Col. J. L. Melville, M.C., Director of Orthopaedic and Veteraft, and Major A. M. Wright, Chief Administrative Assistant, were appointed to administer the fund under the chairmanship of Mr. E. H. Scammell, Secretary of the Department.

On the appointment of Lt.-Col. J. L. Melville to the War Veterans' Allowance Board, Lt.-Col. G. S. Macfarlane, M.C., V.D., was appointed a member of the Committee (Order in Council P.C. 1387), June 21, 1938.

Following the death of Mr. Scammell, Major A. M. Wright was appointed Chairman and Major C. A. Bell, Chief of Orthopaedic and Veteraft, was appointed Member (Order in Council P.C. 2591, October 18, 1938).

REGULATIONS FOR THE ADMINISTRATION OF THE DISABLEMENT FUND

Pursuant to the provisions of Order in Council P.C. 438, dated the 4th March, 1932, the undersigned hereby approves the following regulations for the administration of the Disablement Fund.

November 19, 1935.

Minister of Pensions and National Health.

1. The Disablement Fund shall be administered by a Committee of three officials of the Department of Pensions and National Health.

2. The Disablement Fund shall be utilized entirely at the discretion of the Committee to make loans or grants to ex-soldiers, or to their dependents, or to others when such loans or grants appear to be necessary and more particularly to accomplish the following:—

- (1) To tide over a difficult situation or to meet an emergency.
- (2) To provide comforts for those who are receiving institutional treatment for tuberculosis at public expense other than at the expense of the Department.
- (3) To meet the cost of transportation when deemed necessary.
- (4) To assist in paying overdue taxes, mortgage interest, overdue mortgage principal or rent.
- (5) To meet other domestic emergencies when an outlay is required to prevent hardship falling on an ex-soldier or his dependents.

3. In general, no loan or grant to be made to any member of the staff of the Department of Pensions and National Health or any other Federal or Provincial Government Department or any member of the permanent forces of Canada.

4. The Committee to have custody of all moneys or securities belonging to the Disablement Fund and to have the right to dispose of securities and to purchase others from time to time as may be considered advisable in the interests of the Fund.

5. All moneys invested to be in securities issued or guaranteed by the Dominion or a Provincial Government. Any bonds or other securities to be kept in a safety deposit box in a chartered bank, access to which shall be in the presence of two members of the Committee.

6. Cheques drawn on the Head Office account of the Fund to be signed by two members of the committee or their authorized substitutes.

7. The Committee to have the right to delegate to a District Administrator authority to operate a District Disablement Fund and to make small loans or grants therefrom, subject to such restrictions and regulations as may be issued from time to time.

8. Two members of the Committee to form a quorum for the approval of loans or grants at Head Office.

9. By arrangement with the Representative of the Treasury, the maintenance of accounts, the keeping of necessary records and the submission of reports in connection with the Fund to be carried out by the staff dealing with the accounts of the Department.

10. A periodical audit of the Fund to be conducted by the Audit staff dealing with the departmental accounts.

The present composition of the Board is—

Chairman	Major A. M. Wright.
Member	H. A. Bridges, Esquire (Acting in the absence on military leave of Lt.-Col. G. S. Macfarlane, M.C., V.D.)
Member	Major C. A. Bell, M.C.

The chief use to which the Fund is presently put is to make small loans to former members of the Forces who require temporary assistance to tide them over a period of distress, when no other recognized avenue of help is available, and to assist by way of small grants former members of the Forces who are in distressful circumstances when, similarly, no other avenue of help is available and it is clear that such an individual cannot afford to repay any loan.

The following statement shows the activity of the Disablement Fund during the fiscal year April 1, 1939 to March 31, 1940, and also the general condition of the fund as at March 31, 1940.

Subscriptions and interest	\$185,244 84		
	Fiscal year 1939-40	Previous years	To Mar. 31, 1940
Donations	\$ 5,952 40	\$99,128 97	\$105,081 37
Bad debts written off.....	818 32	29,930 31	30,748 63
Administration expenses	10 00	2,406 51	2,416 51
Reduction in fund to March 31, 1940.....	\$138,246 51		
Amount now in fund.....	46,998 33		

STANDING AS AT MARCH 31, 1940

	Head Office	Districts	Total
Loans outstanding	\$2,397 84	\$2,259 37	\$4,657 21
Cash on hand	1,348 77	4,440 63	5,789 40
Securities held at cost (market value plus accrued interest \$39,297.84)			36,551 72
Total			\$46,998 33
During the year 1,418 loans were made amounting to \$17,326.44.			
Working capital as at 31-3-38			\$61,333 56
Working capital as at 31-3-39			53,074 05
Working capital as at 31-3-40			46,998 33

4. *The Last Post Fund*

P.C. 3568 of November 18, 1935

The regulations governing the Grant to the Last Post Fund and instructions as to the use of the Grant is authorized by Order in Council P.C. 3568 of November 18, 1935.

The Last Post Fund operates under a Dominion Charter for the purpose of preventing the burial in a pauper's grave of any Canadian ex-service man who may die in indigent circumstances in Canada or elsewhere, or the burial in a pauper's grave in Canada of any Imperial or Allied ex-service man.

Before the Fund can assume any responsibility it must be assured, under oath, that the deceased was an ex-service man or nursing sister and that his or her estate, relatives or friends cannot provide proper burial.

The Last Post Fund will pay a maximum of \$50.00 for the funeral, a maximum of \$25.00 for the grave, including opening and closing, and will place a marker on the grave; the whole cost must not exceed \$100.00.

While the Last Post Fund is largely maintained by the Federal Government, the cost of administration is met by local subscriptions or by some other way locally. In Ontario, a grant of \$1,000.00 is made by the legislature to cover the cost of administration, etc., and each municipality is required to pay the sum of \$15.00 towards the cost of burial of anyone residing in the municipality for a period of not less than three months who would otherwise have been a public charge. In the cities of Montreal, Westmount, Outremont, Verdun and Lachine, 25% of the cost is paid in similar circumstances by the municipality.

In Quebec, the Provincial Government has made a special grant for the purchase of the Field of Honour of \$1,000.00 per annum for ten years—at present in suspense. This is extraneous to and not applicable to current burials. In Manitoba, the Provincial Government makes a grant of \$350.00 a year, applicable to administration. In Saskatchewan a grant of \$200.00 a year for the same purpose; in Alberta, \$200.00 a year is divided between the two branches—North and South; in British Columbia, \$500.00 a year.

The following statement shows the number of burials conducted by the Last Post Fund and the grants from the Dominion Government:

Year Fiscal	No. Burials	Paid	Alta.	B.C.	Man.	N.B.	N.S.	Ont.	P.E.I.	Que.	Sask.	G.B. U.S.A. Nfld.
1922-23	96	9,271 59	7	19	8	1	..	33	..	27	1	..
1923-24	113	9,848 30	9	14	16	2	..	42	..	25	5	..
1924-25	152	9,833 79	15	19	23	1	1	51	..	40	2	..
1925-26	137	9,996 90	13	26	41	5	4	57	..	36	5	..
1926-27	194	10,000 00	27	23	24	3	4	62	2	31	13	..
1927-28	242	12,000 10	24	41	42	3	6	65	1	46	13	1
1928-29	267	20,000 00	27	42	43	6	4	74	..	47	24	..
1929-30	311	20,000 00	36	53	42	..	11	99	1	51	18	..
1930-31	364	30,000 00	39	54	52	1	5	123	1	60	28	1
1931-32	432	40,000 00	48	86	55	4	7	143	2	55	32	..
1932-33	523	40,000 00	57	91	82	7	13	159	1	75	37	1
1933-34	546	40,000 00	61	84	79	7	11	184	..	77	43	..
1934-35	609	40,000 00	65	111	64	7	12	212	1	98	38	1
1935-36	656	60,000 00	59	110	99	14	10	224	3	85	51	1
1936-37	773	60,000 00	72	143	81	12	21	257	3	116	46	22
1937-38	844	60,000 00	86	156	93	20	14	267	6	100	51	51
1938-39	856	75,000 00	91	143	101	10	26	282	5	99	44	55
1939-40	928	85,000 00	75	195	99	12	18	305	2	113	54	55
	8,093	\$630,950 68	811	1,415	1,044	115	167	2,639	28	1,181	505	188

A breakdown of the 928 burials during the year 1939-40 shows the following:

Protestants.. . . .	712	Officers.. . . .	31	C.E.F...	758
Rom. Catholics.. . . .	175	N. Sisters.. . . .	1	Imperials	162
Undeclared.. . . .	40	N.C.O's.. . . .	136	Allies	8
Budhist.. . . .	1	Other Ranks	730		
		Naval Ratings.. . . .	30		
	928		928		928

In addition to the 8,093 burials since 1922 there were 276 burials in the Province of Quebec between 1909 and 1922, making a grand total of 8,369 since the formation of the society, to the 31st March, 1939.

The grant to the Last Post Fund results in a material saving to the Department. But for this organization, the Department probably would be obliged to provide directly for the burial of indigent ex-members of the forces, as is the case in the U.S.A. and Australia. The saving is effected in four directions:—

- (1) The cost of a Last Post Fund funeral is much less than that of a Departmental funeral, though it is of equal quality.
- (2) The Last Post Fund declines many cases which the Department would have to accept;
- (3) The Last Post Fund can secure refunds from municipalities and other sources which the Department could not do; and
- (4) With the exception of a portion of the salary of the Secretary and the Headquarters' Administration, the entire cost of administration is borne through voluntary service or through funds provided otherwise than by the Department. The accounts of all the branches, as well as the Headquarters of the Fund, are audited by Messrs. G. A. Touche & Co., Chartered Accountants of Montreal.

It should be noted that in respect of burials in 1939-40 the Dominion Government contributed \$207,821.94, most of which was spent directly by the Canadian Pension Commission and the Department of Pensions and National Health, \$85,000 of which was dealt with through the machinery of the Last Post Fund.

5. Canadian Patriotic Fund.

The Canadian Patriotic Fund had a balance on March 31, 1919 of \$8,701,-818.44. As far as is known, the Canadian Patriotic Fund continued to disburse these funds mainly to dependents of ex-service men, continuing this for some years and finally transferring the residue of the fund, in 1937, to the Canadian Pension Commission, the amount transferred being \$1,281.86. The report on this small balance is dealt with under the report from the Canadian Pension Commission.

6. Funds Administered by the Canadian Pension Commission.

We have the following statement from the Secretary of the Canadian Pension Commission relative to private funds administered by the Canadian Pension Commission.

The attached statement gives particulars of three funds which were entrusted for administration to this Commission for the purpose of relieving distress amongst certain types of former members of the C.E.F. and their dependents. It will be appreciated that, in view of the comparatively small amounts of these funds, it was necessary to administer them with great caution, limiting the grants to small sums, with the twofold object of preventing the funds from becoming rapidly exhausted and ensuring that a maximum number of needy persons could be assisted.

It will be noted that the terms of the bequests or conditions attaching to the transfer of the funds differ in each instance and, while it was the

intention of the donors to provide assistance for needy ex-soldiers or their dependents, there was a tendency to restrict benefits to certain types of individuals within the main group. It might be advisable, therefore, in any consideration of the general problem, to endeavour to have some standard form of bequest adopted.

It has been the practice of the Commission, before a grant is authorized, to have each case carefully investigated. The reports secured provide reliable information as to the applicant's financial circumstances and otherwise, thus ensuring that the Commission is in possession of adequate information on which to base decisions.

Précis of a few type cases and decisions rendered therein are attached hereto.

Mennonite Fund

This fund originated in 1918 from contributions made by the Mennonite community in Western Canada which were forwarded through the Very Reverend the Bishop Abraham Woexksen, of Altona, Manitoba, to the then Minister of Finance. The original amount was \$4,000 and additional contributions subsequently received brought the total to \$8,693.63. It was requested by the donors that the funds be used "for the widows, orphans and cripples caused through this war", and not for war purposes. The Minister of Finance appointed the Board of Pension Commissioners and subsequently, the Canadian Pension Commission, to act as administrator of the fund. It was the practice to make small individual grants to ex-soldiers or their dependents where some emergency of a distressing character occurred for which funds were not available from any other source. About one hundred individual grants were made from this fund over a period of approximately twenty-one years, averaging about \$87 a grant. The fund was finally exhausted in 1939.

As will be appreciated, it was found possible to relieve a great many distressing cases of acute hardship and the fund proved to be a source of great comfort and assistance to many deserving ex-soldiers or their dependents.

Scott Fund

This fund originated in a bequest of \$10,904.96, which was left to the Government of Canada in 1930 by the late William Scott, of Egmondville, Ontario. The original bequest has since been augmented by amounts realized or collected from mortgages owned by the estate of the late Mr. Scott, bringing the total deposits to date to \$12,580.39. Under the terms of his will, the fund was to be used as follows:—

I direct my executors to pay over all the residue of my estate to the Minister of Finance in the Dominion of Canada to be applied by him to the Pension Fund for benefit of soldiers enlisted in Canada for the present War and who are entitled to pensions, and the widows and orphans of deceased soldiers entitled to pensions in respect of the present War.

The administration of the fund, by direction of the then Minister of Finance, was placed in the hands of the Board of Pension Commissioners and later, the Canadian Pension Commission, with the suggestion that it be administered on the same lines as the Mennonite Fund and grants therefrom have been similarly authorized. Some eighty-one grants, averaging \$80.25 have been made to date and the amount at present standing to the credit of the fund is \$6,080.39.

This fund, as in the case of the Mennonite Fund, has proved a great boon to many needy soldiers and dependents of deceased soldiers who were found to be urgently in need of financial assistance which could not be otherwise secured.

Canadian Patriotic Fund

This fund originated in the transfer to the Commission in 1937 of the residue of the Canadian Patriotic Fund, which was subscribed during the first Great War. The amount transferred was \$1,281.86. It was ascertained in 1936 that the fund was then more or less inactive, having apparently served the purpose for which it was originally intended. Following representations made by the Chairman of the Commission, the above mentioned residue was transferred to the Receiver General to be administered by the Commission, "it being understood that the Pensions Department will use the moneys for the benefit of persons in need as a result of the War and not eligible for pension, in those cases for which the Department has no other appropriation, and that in such cases the Department of Finance will issue cheques upon requisition by the Pensions Department." Twenty-nine grants have been issued to date, totalling \$900.20, the average grant being \$31. The amount now remaining in the fund is \$381.66.

The observations regarding the administration of the Mennonite and Scott Funds apply equally to the Canadian Patriotic Fund and this fund has also enabled the Commission to provide assistance in many worthy necessitous cases amongst returned soldiers and their dependents.

Soldier enlisted September, 1914, had three periods of service in France with the 4th Battalion, from February 9th, 1915, to April 29th, 1915 (evacuated G.S.W. shoulder), from October 4th, 1916 to March 15th, 1917 (evacuated sick) and from March 29th, 1918, to September 12th, 1918, (evacuated G.S.W. left arm). Was awarded Good Conduct Badge in August, 1916, discharged on demobilization April, 1919. No pension awarded.

The soldier died in 1936. The Commission ruled that broncho-pneumonia was not attributable to service. This ruling was confirmed by a Quorum of the Commission in July, 1937.

The soldier left surviving him a widow and four minor children. The widow is in receipt of Mother's Allowance of \$40.00 a month also an award of \$20.00 a month under Section 21 of the Pension Act.

Investigation report of May 4th, 1940, reveals that the boy, Fred., who is 7 years of age, is suffering from suspected tubercular glands and an operation is evidently urgent. The widow has no funds at her disposal to take care of this expense. The Administrator of the Relief Department for the city of Niagara Falls states the operation will cost, approximately, \$35.00.

Decision of Commission:

The Commission is of the opinion this is a suitable case for a grant from the Scott Estate Fund and recommends the sum of \$35.00.

Cheque to be made payable to Mr. C. E. Stock, Administrator of the Relief Department, City of Niagara Falls, Ont., on behalf of the boy, Fred. Hanlin.

This soldier enlisted 13th April, 1916, at the age of 26. Arrived in England 4th November, 1916. Returned to Canada 22nd June, 1918. Discharged medically unfit 20th August, 1918. Medical entries tachycardia, heart action rapid, pain in the region of the heart, unable to do any route marches. No pension awarded. Subsequent to soldier's discharge he was employed on the C.N.R. at Calgary, lost both legs while in their employ, was not on duty at the time of his accident in February, 1931, and was not eligible for compensation.

The Bulkley Valley Branch, Canadian Legion of the B.E.S.L., Smithers, B.C., reports that the soldier is in straitened circumstances and has no way of providing a living for himself, wife and 11 year old daughter, that he earns a few dollars by making artificial flowers.

The Adjustment Officer of the Provincial Command of the Canadian Legion, Province of British Columbia, states that this ex-soldier has had considerable

experience in repairing and rebuilding bicycles, and that in the district where he lives there is an opportunity to make a good living at business of this kind; that the soldier has knowledge where there is a considerable amount of equipment necessary to run a business of this kind and such equipment could be purchased very cheaply, estimates the cost at about \$100.00.

Decision of Commission:

In view of this soldier's economic circumstances and physical disability the Chairman is of the opinion this is a suitable case for a grant from the Scott Estate Fund and recommends the sum of \$100.00.

Cheque to be made payable to David McKee, Adjustment Officer, B.C. Provincial Command, Canadian Legion, B.E.S.L., Vancouver, for administration.

The soldier marginally named enlisted 17th June, 1916, at the age of 32 years and 6 months; proceeded to France 22nd May, 1917; returned to England wounded 21st August, 1917; discharged on demobilization 5th September, 1919—no pension awarded.

In June 1925 the Commissioners ruled that defective hearing was Statute barred. In July, 1925, the Commissioners ruled defective hearing post discharge origin.

Mr. R. G. Davidson, M.P., communicated with the Commission in February last requesting information as to whether the soldier's children were entitled to pension.

The circumstances of the case are as follows:—

Some 8 years ago the soldier went away leaving a family of six children, the eldest of whom was 19 years of age. The soldier had been addicted to drink and his wife had always had to work to support herself and young children—he has not contributed towards his dependents support since the date he left home. The wife died February 18th, 1936, left no estate. The expenses of her last illness and burial were paid by a daughter, Mildred. This girl is at the present time in the employ of Battles House, Magog, as a waitress. She is 27 years of age and single. In the summer she earns \$5.00 a week exclusive of room and board; during the winter months she gets from \$3.50 to \$4.00 a week, depending on how busy they are at the hotel. Lila, unmarried, 25 years of age, has the same employment and same earnings as Mildred. One married daughter with one child—the husband is employed on his father's farm. There are two minor children, one born on December 2nd, 1920, and one on February 14th, 1924, and are at the present time residing on a small farm with an uncle at Fulford, Que. The uncle is in very poor circumstances and is not inclined to keep the boys. The two unmarried daughters referred to above have been assisting to support the minor brothers to some extent. Their contributions have not averaged \$5.00 a month each. None of the family are in receipt of relief as the mother and daughters supported the house as long as she lived. This has been verified by the Chief of Police, Waterloo, Que.

If the circumstances permitted the boys could be put to board in a private home where they could be supervised by their adult sisters. The sister, Mildred, is described as very reliable and has a keen sense of duty towards her younger brothers. She is engaged to be married but cannot do so as long as she has to assist them.

Decision of the Commission:

The Commission is of the opinion that this is a suitable case for a grant from the Mennonite Fund and have decided to make a grant of

\$200; cheque to be made payable to the Pension Medical Examiner, Canadian Pension Commission, Montreal, to be administered on behalf of the two minor children.

This ex-soldier enlisted October 16, 1916. Served in France from March, 1918 to March, 1919. Was discharged on demobilization May 8, 1919. He was awarded the Military Medal for great gallantry and devotion to duty—during the attack east of the Douai Cambrai Road on September 29, 1918, this stretcher bearer displayed the utmost gallantry and contempt for personal danger. He was continually in the open, on ground swept by very severe machine-gun fire, dressing the wounded and carrying them back. Time after time he crawled forward through the wire to render succour to the wounded and by his devotion undoubtedly saved many lives. Authority *London Gazette*, No. 31430, dated 3 July, 1919. No pension was awarded.

He died September 27, 1932, from cirrhosis of the liver (alcoholic). His death was ruled not attributable to service.

Information on file indicates that the soldier left surviving him a widow and two children. A female child was drowned shortly after she completed her high school education. The boy is badly handicapped as a result of infantile paralysis. The widow is described as a competent stenographer but is unable to secure employment, chiefly on account of her age (55).

Decision of Commission—

In view of the soldier's meritorious service and the present economic circumstances of the widow, the Chairman is of the opinion this is a suitable case for a grant from the Scott Estate Fund and recommends the sum of \$50.

Cheque to be made payable to the widow, Mrs. Alice Wood.

7. SHIP'S POPPY FUND

The following report was received from Mr. W. S. Woods, Chairman War Veterans' Allowance Board.

"The above represents a fund which was collected by the sale of poppies on British ships at sea on November 11 each year. Since many of these Imperials are located in Canada, the sum of \$5,800 from this fund was turned over, through His Excellency the Governor General of Canada, to the Canadian Legion, for the purpose of alleviating distress amongst ex-Imperials in Canada.

The Canadian Legion appointed a Committee of three to administer this fund, comprising the writer as Chairman; Major Mordie of the Bank of Commerce and Col. Osborne of the Canadian War Graves Commission.

It is the writer's practice, as cases are sent to him by memorandum, to make a recommendation thereon which is then passed to one other member for concurrence—two comprising a quorum.

This fund has been in existence since 1937, and we still have remaining on hand over \$2,000.

The attached memorandum will indicate to you ten cases typical of those assisted."

Memorandum

SHIP'S POPPY FUND

In September 1937 the British Benevolent Fund, through the British Empire Service League, remitted to His Excellency the Governor General, approximately \$5,800 which was turned over to the Canadian Legion for the purpose of alleviating distress among Imperial ex-service men in Canada.

Grants under this fund must not exceed \$50 and the money is not available for direct relief but only in cases of "dire emergency".

The financial statement as at November 30, 1940, shows a balance on hand of \$2,126.

The following ten cases are typical of those assisted:—

Case No. 1—

"This is a man, an ex-Imperial, married with eight children. His sole income at the present time is pension and Workmen's Sick Relief, amounting to a total of \$7.50 per week. He is at present in hospital, where he will undergo an operation in the near future. His family are in need."—\$25 granted.

Case No. 2—

"This is the case of an ex-Imperial who is practically bedridden, and whose wife is also sick. They are being maintained at present by Municipal relief. The veteran is in need of special food for his condition and has no funds for same."—\$25 was granted.

Case No. 3—

"This is the case of a man suffering from hernia who, if operated upon, would be better able to earn a living for himself and family."—\$50 granted for operation.

Case No. 4—

"This is the case of a man who is suffering greatly from rheumatism and a general breakdown in health. He and his wife work as janitors for \$35 per month. He needs his remaining teeth extracted and dentures supplied, and his dentist has agreed to do the work for \$25."—\$25 granted.

Case No. 5—

"This is the case of a man and his wife and ten children living on \$50 a month relief. Several of the children are without shoes and stockings. The living conditions are deplorable."—\$25 granted.

Case No. 6—

"This is the case of a man who had his foot amputated and who is in need of financial assistance until the effects of this operation have been overcome."—\$30 granted.

Case No. 7—

"This is the case of an indigent ex-Imperial who died in the United States and was buried there by The Great Lakes Command of the Canadian Legion."—\$37.50 granted, being one half the cost of burial.

Case No. 8—

"This is the case of an ex-Imperial who requiring X-ray in connection with his stomach condition has no funds for same. This can be done at the Civic Hospital for \$10."—\$10 granted.

Case No. 9—

"This is the case of an ex-Imperial whose wife is suffering from phlebitis and where the necessary care cannot be given her on account of their limited income."—\$15 per month granted for two months for the care of the wife.

Case No. 10

"This is the case of an ex-Imperial suffering from sinus trouble. \$50 has been raised locally and the doctor and dentist are donating their services."—\$50 granted for further hospital treatment.

8. Other funds .

Through the sale of poppies manufactured in Vetcraft Shops of the Department of Pensions and National Health, the Canadian Legion has controlled the disbursements of funds collected for Poppy Fund each Armistice Day since the last war. The only record in the Department is a record of revenue received as a result of the purchases by the Legion of the poppies used, but there was no profit on the sales of these poppies accruing to the Department of Pensions and National Health.

Throughout Canada local funds have been created from time to time to assist veterans, before relief became general throughout the country but most of these funds were local in conception and control and no estimate could be made of the amounts.

B. Comment

(1) The above survey of a few of the many funds throughout Canada will indicate that there has been great variety in control and methods and in the criteria governing the forms of assistance to veterans. The conclusion can hardly be resisted that while much good was undoubtedly done, more could have been accomplished by centralized control, the establishment of Dominion standards of assistance, and a broader based and more scientifically built policy of investigation and aid which might well have resulted in less administrative cost.

(2) The following observations might be made with regard to Canteen Funds in particular:—

- (a) At the time it seemed that there were certain advantages in decentralization of control of these funds to Provincial Boards but it is not clear that these were obligated to conform to careful standards of custodianship, investment, audit and control, and they do not appear to have been restricted as to the type of security in which funds were invested.
- (b) In many cases there was support of activities, and assistance in the purchase of properties of ex-service men, organizations with consequent doubtful exercise of their authority under Section 10 of the Act. Order in council setting up Boards recited the objects outlined in the Act, but there does not appear to have been any Dominion statutory authority that could question disbursements or effect control.
- (c) In the case of several Boards, the record cannot be regarded as satisfactory.
- (d) In the case of Ontario, attention is called to the conservative financial practice which has succeeded in keeping the major part of the fund intact, but it is difficult to visualize for what purpose the fund can be used when in another two decades the majority of the beneficiaries will not exist.

(3) It has been the experience in the past that the improvident ex-service man has been able to secure help from a variety of funds, local, provincial and national, and there is some element of doubt as to the wisdom of the indiscriminate monetary grant in such cases.

(4) Members of a carefully selected Dominion Board of Trustees would, in the future, probably wish to develop the assistance to veterans on more constructive lines than the making of monetary grants without subsequent follow-up of the cases. Since the structure of relief for necessitous cases in Canada is now much more complete than in 1919, emphasis might well be laid upon civil re-establishment projects. It may be noted that in the past one of the projects to which funds might be devoted was the education of children of veterans. Since education is a provincial matter and the encouragement of talent by means of education would probably lie within the provincial sphere, it is

doubtful whether scholarship projects should be included in objects to which the fund might be devoted. The rehabilitation of the head of the family is the essential prerequisite to the acceptance of his proper responsibility for the opportunities given his children, so that attention might be directed to this main object.

(5) Government policy in respect of rehabilitation will always find it necessary to consider a large group, and it is always difficult to legislate for a small group or for out-of-line cases. However excellent legislative and administrative arrangements are, regulations are necessarily drafted with a view to restricting abuse and making it possible to bring the various items of public expenditure in this matter into broad categories. As a result of this there are to be found from time to time, cases which cannot be fitted in the cadre of the regulations and a voluntary fund under careful stewardship is the most suitable expedient for taking care of these cases which fall through the meshes of Governmental Aid. Furthermore, public authorities find it difficult to spend money on experimental projects since if they fail, they induce political consequences. It should be the aim, therefore, of voluntary effort to pioneer in areas of re-establishment where it may be difficult for the Government, in the initial stages, to frame a national policy. For example, it is hardly likely that the Government could take special steps to assist a veteran returning to his occupation as a fisherman, to purchase a boat and fishing tackle in order to re-establish himself, and yet this may be precisely a field where a grant or a loan might enable an ex-service man to return promptly to his pre-war occupation.

Having in mind these points, the Committee unanimously offer the following recommendations:—

C. Recommendations

1. That such profits or proceeds as may be derived from canteen and institute sales and directed to be expended on behalf of and for the welfare of ex-members of the armed forces of Canada during the present hostilities should be deposited with the Receiver General of Canada.

2. That such profits or proceeds as may be derived from other organizations rendering service to the armed forces of Canada and which monies may be designated to be devoted for expenditure on behalf of or for the welfare of ex-service men of this war should be deposited with the Receiver General.

3. That the appropriate officers of the Department of National Defence charged with the control of canteens and institutes should be authorized to take special steps to ensure that capital expenditures be carefully controlled at or about the time of the armistice, with a view to conserving profits and salvaging proceeds for the benefit of the ex-members of the forces, and that the Director of Auxiliary Services be authorized to effect demobilization of Auxiliary Services, and to arrange for the proper handling of salvage in stores in such a way as to maintain whatever equity can be maintained on behalf of the ex-service men.

4. That on demobilization arrangements be made for prompt final audits of all financial operations and commitments by all organizations serving the armed forces and a clear public statement issued as soon as conveniently possible after demobilization as to the amount of money available for the welfare of ex-service men of this war, and clear statements as to custodianship and control of same.

5. That the custodianship, investment, control and disbursement of all such monies thus made available for the welfare of ex-service men be administered under the authority of Act of Parliament and by a Board of Trustees properly constituted.

6. That the administration might consist of the following:—

- (a) A Dominion Board of Trustees consisting of the Chief Justice of Canada; the Auditor-General of Canada; the Governor of the Bank of Canada; the Minister of Pensions and National Health, and an elected President of a selected veteran organization; with provision for secretarial assistance.
- (b) A Dominion Advisory Committee consisting of ex-service men representative of the three services and the Director of the Veterans' Welfare Division, Department of Pensions and National Health, to assist the Board of Trustees in framing policies.
- (c) A District Advisory Committee, in each administrative area served by the Department of Pensions and National Health, consisting of three members, two of whom should be service men of the present war with satisfactory service records, to report to the Dominion Advisory Committee.
- (d) That the Secretary of the District Advisory Committee in each case be the District Veterans' Welfare Officer of the Department of Pensions and National Health who, in addition to ordinary secretarial duties, will be responsible for reporting on investigation of applications and the carrying out of the policies of the Board of Trustees.
- (e) Since the Board of Trustees will be responsible for the investment and custodianship of funds, it may be convenient for them to arrange for disbursements to take place through the usual machinery, i.e., the Treasury Officer of the Department of Pensions and National Health with proper records being maintained in the Veterans' Welfare Division.
- (f) That investment of these funds should be in Dominion Government securities.

The primary purpose of the fund should be to encourage the civil re-establishment of ex-service men, and in view of past experience the Board of Trustees might consider disbursing a greater proportion of the funds in the immediate post-war years. Perhaps some form of terminable annuity could be used to amortize the amounts to be distributed so that the maximum amount could be made available in a limited period, exhausting the fund at a definite date. Since conditions in Canada have materially changed since the last war, owing to the acceptance of responsibility by public bodies for those in distress or unemployed, there is less need for conservation of large funds for indeterminate emergencies after a decade in respect of a specific group of the population.

It is suggested that the aim should be to consolidate all funds available for the welfare of ex-service men under one Dominion administration, as indicated.

It has been noted that in the past there has been some little difficulty in securing the full income of specific personal bequests made with a view to assist ex-service men. Sometimes wills are drawn in such a way as to involve those responsible for administration of such funds in costs of litigation which reduce the amount of the bequests concerned. It is suggested that some form of simple bequest formula could be devised which would enable testators to bequeath funds to the Board of Trustees to be used for the purposes designated, as set out by their legislative authority.

Objects

The objects to which the fund might be devoted, after examination of the many and varied objects suggested in connection with the use of Canteen Funds of the last war, should be clearly though generally stated, as follows:

1. For the assistance of distress of ex-service men or of their families by loan or grant where adequate assistance is not available from Government or other sources.

2. To assist in the reconditioning of ex-service men with a view to fitting them for civil employment if such a service is not available from any other source.

3. For assistance by grant or loan in equipping or re-equipping ex-service men as tradesmen or small business men who by this means would be enabled to secure a livelihood.

4. For assisting ex-service men with limited grants or loans to engage in part time or whole time modest enterprise.

5. To meet any emergency with which the Board of Trustees may deem it advisable to deal.

It is the view of the Committee that if the Canteen Funds and such other Funds as may be derived from the proceeds of other organizations serving the armed forces are consolidated into a single Dominion fund under a statutory Dominion authority in some such manner as indicated above, it might be possible to encourage voluntary gifts, bequests and grants from other sources which could be received by Trustees of the fund and administered by them.

All of which is respectfully submitted.

(Sgd.) A. J. DIXON,

Chairman, Subcommittee on the Administration of Special Funds.

APPENDIX "G"

P.C. 74/9130

Certified to be a true copy of a Minute of a Meeting of the Treasury Board, approved by His Excellency the Governor General in Council, on the 22nd November, 1941.

National Defence

The Board had under consideration the following memorandum from the Honourable the Associate Minister of National Defence:—

The undersigned has the honour to report that by Order-in-Council P.C. 7520 dated 21st December, 1940 (as amended by P.C. 224 of January 13, 1941; P.C. 1087 of February 14, 1941; and P.C. 1959 of March 24, 1941) a Committee was constituted for the purpose of enquiring into and making recommendations and reporting to the Minister of National Defence on certain matters regarding the collection, custody, investment and control of moneys accruing from the operation of canteens and other auxiliary services for the benefit of His Majesty's Canadian Forces during the present war.

The aforesaid Committee have submitted a report in writing dated 30th August, 1941, and, among other recommendations relating to the benefit and welfare of the members of the Forces and their dependents, have recommended that custodians of the moneys already received which at present are deposited with the Receiver-General of Canada be appointed in order that such moneys may be made available for investment in securities of or guaranteed by the Government of Canada, and the Committee has suggested that such custodians should consist of the Governor of the Bank of Canada, the Deputy Minister of Finance and the President, Regimental Funds Board.

The Adjutant-General has reported that:

(1) Canteens have already been established at various centres in Canada and elsewhere for members of the Active Army under Agreements authorized by Order-in-Council P.C. 60/3404 dated July 24th, 1940, between His Majesty the King represented by the Honourable the Minister of National Defence of the Dominion of Canada, and the following Auxiliary Service Organizations:—

The Young Men's Christian Association,
 The Salvation Army,
 The Knights of Columbus,
 The Canadian Legion War Services, Inc.,
 and certain other canteens have also been established at the former Reserve Training Centres under supplementary Agreements signed by the above mentioned Auxiliary Service Organizations on the dates as noted hereunder:—

The Young Men's Christian Association—29th October, 1940.

The Salvation Army—12th October, 1940.

The Knights of Columbus—11th October, 1940.

The Canadian Legion War Services, Inc.—12th October, 1940.

(2) After payment of 5 per cent of the gross receipts to the local Units served by such projects, the net aggregate profits resulting from the operations of the above mentioned Canteens, as determined in accordance with the provisions of the agreements indicated in paragraph (1), are at the present time being deposited with the Receiver-General of Canada.

(3) It is anticipated that further moneys will be received from time to time from the activities of the said Auxiliary Service Organizations as well as from other projects established in Canada and elsewhere for the benefit of members of the Forces and that these will be deposited to the credit of the Receiver-General of Canada.

(4) It is desirable that provision be made for the investment of moneys already received or which may hereafter be received from the projects of the Services mentioned above.

As an interim measure and in order to provide a method whereby, pending final decision upon the report of the Committee, the moneys derived through the operations of the Organizations mentioned herein, or received from any other sources, can be made available for investment, it is considered desirable that the moneys in question be invested in securities of or guaranteed by the Government of Canada, and for this purpose that custodians of such moneys be appointed. The Adjutant-General has accordingly recommended:—

(a) That the following moneys—

- (i) All moneys already received and now deposited with the Receiver-General of Canada from the said Auxiliary Service Organizations; and
- (ii) Such further moneys as may from time to time become available by reason of profits earned under such agreements as now exist or may in future exist between His Majesty the King represented by the Honourable the Minister of National Defence and the said four National Organizations or which may accrue from the operation thereof for the benefit of members of His Majesty's Canadian Forces during the present war; and
- (iii) Any moneys which have been and may hereafter be received from any other source to be used for the benefit and welfare of the members and ex-members of the Forces and their dependents;

be remitted to the undermentioned custodians.

(b) That the following shall be appointed the custodians to whom the moneys aforesaid shall be remitted and by whom the investment thereof shall be effected—

The Governor of the Bank of Canada,

The Deputy Minister of Finance,

The President, Regimental Funds Board.

(c) That such custodians shall be responsible that all moneys remitted to them from any source whatsoever for the benefit of the members and ex-members of His Majesty's Canadian Forces and their dependents

during the present war are invested in securities of the Dominion of Canada or in securities guaranteed both as to principal and interest by the Dominion of Canada and that all such securities shall be deposited with the Minister of Finance for safekeeping.

The undersigned concurs in the recommendations of the Adjutant-General and submits the same for the approval of Your Excellency.

The Board concurs in the above report and recommendation, and submit the same for favourable consideration.

(Sgd.) A. D. P. HEENEY,
Clerk of the Privy Council.

APPENDIX "H"

P.C. 7/3183

Certified to be a true copy of a Minute of a Meeting of the Treasury Board, approved by His Excellency the Governor General in Council, on the 21st April, 1942.

Finance—National Defence

The Board had under consideration the following memorandum from the Honourable the Minister of Finance and the Honourable the Minister of National Defence:—

The undersigned have the honour to report:—

1. That by Order in Council P.C. 74/9130 dated November 22, 1941, approval was given to a minute of Treasury Board whereby profits of canteens operated by certain Auxiliary Service Organizations authorized by Order in Council P.C. 60/3404 dated July 24, 1940, for the benefit of members of the Armed Forces and deposited with the Receiver General of Canada, were to be paid over to three nominated custodians namely:—

The Governor of the Bank of Canada,

The Deputy Minister of Finance, and

The President of the Regimental Funds Board,

and were to be invested by them and the investments held by them in trust for the benefit of the members of the said Forces and their dependents;

2. That in the opinion of the said custodians and of the undersigned, it would be far more simple and more satisfactory from the administrative point of view if, instead of appointing custodians charged with the difficult task of attempting to keep the moneys so deposited invested at all times in Dominion or direct or guaranteed obligations, it were provided that the said moneys should be deposited and held by the Minister of Finance and Receiver General of Canada as a trust fund and that an appropriate rate of interest should be paid on the moneys in said trust fund;

3. That, in the opinion of the said custodians and of the undersigned, an interest rate of $2\frac{1}{2}$ per cent per annum, credited semi-annually on the minimum monthly balances on deposit in the Fund, would be appropriate as it would probably represent the best return that could be earned if the moneys were invested by the said custodians in securities of an appropriate term having regard to the estimated probable requirements for cash outlays from the fund in future years.

The undersigned accordingly, under the provisions of the War Measures Act, R.S.C. 1927, chapter 206, and the Consolidated Revenue and Audit Act, Statutes of Canada, 1931, chapter 27, have the honour to recommend:—

1. That the directions of the Treasury Board minute approved by Order in Council P.C. 74/9130 dated November 22, 1941, be rescinded;

2. That moneys already received and now deposited with the Receiver General and that future moneys deposited with the Receiver General of Canada by the Auxiliary Service Organizations under agreements authorized by Order in Council P.C. 60/3404 dated July 24, 1940, be kept by the Receiver General of Canada in a separate fund to be known as "The Central Trust Fund of the Army, Navy and Air Force Canteens";

3. That deposits in the said Fund with the Receiver General of Canada be deemed to earn and be credited with interest at $2\frac{1}{2}$ per cent per annum credited semi-annually on the minimum monthly balances on deposit in the said Fund;

4. That any moneys which have been or may hereafter be deposited with the Receiver General of Canada by the said Auxiliary Service Organizations, or from any other source, for the benefit and welfare of the members and ex-members of the Forces and their dependents be held in trust moneys in the Central Trust Fund of the Army, Navy and Air Force Canteens to be spent from time to time for benefit and welfare of the members and ex-members of the Forces and their dependents in such manner and in such amounts as Your Excellency in Council may from time to time by Order in Council direct.

The Board concur in the above report and recommendation, and submit the same for favourable consideration.

(Sgd.) A. D. P. HEENEY,
Clerk of the Privy Council.

The Honourable
the Minister of National Defence.

SESSION 1942
HOUSE OF COMMONS

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-42C12
SPECIAL COMMITTEE

ON

CANTEEN FUNDS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

TUESDAY, MAY 19, 1942

WITNESSES:

Col. E. A. Deacon, Director of Auxiliary Services (Army).
Lt.-Col. J. A. de Lalanne, Regimental Funds Board (Army).
Lt.-Col. A. Cairns, Auxiliary Services (Army)

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

House of Commons, Room 277,

TUESDAY, May 19, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 10.00 o'clock a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Abbott, Adamson, Black (*Yukon*), Blanchette, Brooks, Castleden, Cleaver, Emmerson, Fauteux, Hazen, Isnor, Macdonald (*Brantford City*), MacKenzie (*Neepawa*), Marshall, Ross (*Middlesex East*), Sanderson, Winkler.

In attendance: Colonel E. A. Deacon, Director of Auxiliary Services (Army) with Lt.-Col. A. Cairns; Lt.-Col. J. A. de Lalanne, Regimental Funds Board with Major Georges Garneau and Capt. D. Donnelly; Capt. J. O. Cossette, R.C.N., Secretary for Naval Affairs; Mr. A. J. Dixon, Chairman of Subcommittee on the Administration of Special Funds with Mr. A. M. Wright, Director of Rehabilitation and Mr. B. W. Russell, Solicitor, Department of Pensions and National Health.

The Chairman opened the proceedings by reading a letter from Mr. J. C. G. Herwig, Assistant General Secretary of the Canadian Legion, B.E.S.L.; also a letter from Capt. Jules J. Ferry, past President of the Ontario Command of the Canadian Legion. In the first instance Mr. Herwig was requesting a hearing either prior to or following the National Convention of the Legion to be held in Winnipeg on the 24th-27th of May, at the convenience of the Committee. In the second instance Mr. Ferry was requesting the Committee to hear Major A. C. Lewis, Toronto, secretary-treasurer of the Ontario Provincial Board of Trustees. After some discussion it was agreed that these gentlemen should be afforded an opportunity to appear before the Committee at a later date. .

Lt.-Col. J. A. de Lalanne of the Regimental Funds Board was called and he filed a Summary of Operations of Canteens operated by Units and Formations of the Active Army and including Training Centres and Depots in Canada, Newfoundland and Iceland covering the period from 1st April, 1940, to 31st December, 1941, also those operated by the four national organizations in Canada and Newfoundland. At a later stage of the proceedings the witness also filed a number of specimen books and forms provided for the use of the Units and Formations of the Army. The Chairman indicated that each member of the Committee would be provided with a copy of the Summary filed by Lt.-Col. de Lalanne and that the specimen books and forms would be left in the custody of the clerk for the information of the members. It was agreed that the witness would be questioned in regard to these at a subsequent meeting.

Colonel E. A. Deacon, Director of Auxiliary Services (Army), was then called. He was questioned at length with respect to the operations of Canteens operated by the four national organizations in England. During the witness' deposition, Lt.-Col. A. Cairns filed a copy of P.C. 60/3404 together with a copy of the memorandum of Agreement between His Majesty the King and the following national organizations: the Young Men's Christian Association, the Salvation Army, the Knights of Columbus and the Canadian Legion War Services, Inc.

On motion of Mr. Hazen, it was

Resolved—That the documents filed before the Committee by Lt.-Col. A. Cairns be appended to the printed report of to-day's minutes of proceedings and evidence as Appendix "I".

On motion of Mr. Isnor, it was

Resolved—That a statement similar to that which was filed by Lt.-Col. de Lalanne to-day, showing the sales, the operating expenses and the profits derived from the operations of the eighty-seven canteens operated in England by the four national organizations covering the periods from April 1 to December 31, 1940, and from January 1, 1941, to December 31, 1941. Such statement to indicate the disposition of profits.

The witness stated he would undertake to furnish the Committee with this information within the next two weeks or so.

The Chairman thanked Colonel Deacon for his information and he retired.

Lt.-Col. de Lalanne was then recalled. He was asked a few questions and requested to furnish the Committee, at its next sitting, with a copy of the General Order establishing the Regimental Funds Board.

The following correction was agreed to with respect to Report of Proceedings and Evidence No. 1.

"On page 4, line six (6) should read:

The CHAIRMAN: I will *now* call on Colonel Cairns.

Before adjournment the Chairman read a communication from Captain the Honourable Ian Mackenzie in which the Minister of Pensions and National Health expressed his regrets at his inability to attend the meeting of the Committee owing to the United Nations Air Conference Assizes now being held in Ottawa.

At 11.35 o'clock a.m., the Committee adjourned to meet again at the call of the Chair.

ANTOINE CHASSE,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277

May 19, 1942.

The Select Committee on Canteen Funds met at 10.30 a.m. o'clock. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: Order, gentlemen. Since our last meeting I have received several letters. I received one from Mr. J. C. G. Herwig, Assistant General Secretary of the Canadian Legion. He would like to make representations, through the committee, on behalf of the Legion and could do so before the convention or preferably after the convention of the Legion. I think it would be the pleasure of the committee that he be heard after the convention.

Mr. ISNOR: What are the dates of the convention, Mr. Chairman? It is at Winnipeg, is it not?

The CHAIRMAN: The convention is next week, the 24th to the 27th of May, at Winnipeg. The committee will be sitting after that. I also received a communication from Mr. Jules J. Ferry, past president of the Ontario Command of the Canadian Legion with respect to Major A. C. Lewis, who is Secretary Treasurer of the Ontario Provincial Board of Trustees. I think he has had very wide experience, and I would suggest that he be called also at a later date, if that would meet with the approval of the committee. Does the committee agree?

Mr. CASTLEDEN: Might I suggest that it might be a good idea to have the matter of canteen funds brought before the annual convention of the B.E.S.L. It is on their agenda, is it?

The CHAIRMAN: Yes, it is on their agenda.

Mr. CASTLEDEN: And a request coming from this committee for suggestions?

The CHAIRMAN: The representatives of the Legion would then, after recommendations have been passed by the convention, appear before this committee with the recommendations. I mentioned Major A. C. Lewis. He has had wide experience. He could give the committee valuable information as to how the money was expended in Ontario, and if it meets with the approval of the committee we could call him at a later date.

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: Gentlemen, at the last meeting Colonel de Lalanne was giving certain evidence and he was about to prepare a statement of the funds which have been received. The Colonel has prepared that statement and I suggest that it be filed with the committee and the clerk will distribute copies of the statement to you. We will have Colonel Lalanne come before us at a later date and give us any information we desire with regard to that statement. I would suggest that Colonel Lalanne give us further evidence to-day, but Colonel Deacon who has just returned from Britain is present to-day and we should call him as the first witness because he will not be with us again for probably a week or ten days; so if it meets with the pleasure of the committee we could file the statement and ask Colonel Deacon to address the committee and at a later date Colonel Lalanne will return.

COLONEL E. A. DEACON, Director of Auxiliary Services, Called.

By the Chairman:

Q. Colonel Deacon, would you be kind enough first of all to explain to the committee where you have been outside of Canada. I understand you

have been in Great Britain. What have you been doing there?—A. I have been in the United Kingdom investigating matters that come under the jurisdiction of the Directorate of Auxiliary Services. I went into the matter of canteens as operated by the four national voluntary organizations operating with the Canadian army. The number of canteens operating fluctuate according to circumstances, but the records show there are now some 87 canteens operated by the national organizations. There are also a great many canteens being operated by the N.A.A.F.I. over which the auxiliary services has no control. The goods sold by our own canteens are either purchased from the N.A.A.F.I. wholesale, direct from the manufacturers or they are imported from Canada, and the prices are in line with the prices of the goods sold in the N.A.A.F.I. canteens. There is no percentage of the profits made by the organizations returned in money to the Canadian units, but those profits are expended for the benefit of the Canadian forces. N.A.A.F.I. operated canteens, I understand, pay 6 per cent of the gross profits in cash to the units for which they operate canteens. The average daily attendance at each of our own canteens is approximately 253 men.

By Mr. Castleden:

Q. There is one question which occurred to me: is there any request from any of those units for a larger share of the gross profits to be returned to the unit concerned?—A. I did not hear of any requests. I did not seek any such information.

Q. There is no demand for a larger share of the profit to be returned, is there?—A. None, as far as I personally know.

By Mr. MacKenzie (Neepawa):

Q. That 6 per cent is from the national organizations?—A. No, that 6 per cent is returned by the N.A.A.F.I. to the Canadian units in which they operate—direct to the unit.

By Mr. Isnor:

Q. As far as your canteens are concerned, your own unit enjoy the only benefits; you do not make any returns?—A. No, the profit that is earned by the organizations in operating those canteens is spent for the benefit of the men, but not by a cash donation.

By Mr. Brooks:

Q. What does it cost to administer these canteens overseas?—A. I cannot give you those figures; the full accounting system is now being set up.

By Mr. Hazen:

Q. Who is in charge of these canteens?—A. The supervisor of the organization operating the canteen is in charge of the canteen.

Q. Is he an honorary officer?—A. We have the representatives of the organizations in the classification of supervisors. They are paid at captain's rates of pay but are not commissioned officers.

Q. But they wear the officer's uniform?—A. They wear an officer's type of uniform without rank badges.

Q. Who appoints them? On whose recommendation are they appointed?—A. They are appointed on the nomination of the organization concerned and with the approval of the Directorate of Auxiliary Services.

Q. Can a man of military age and physically fit be appointed to one of those positions?—A. He must get the usual exemption from the board.

Q. Through whom?—A. Of his district committee if he is of military age and subject to call.

By Mr. Brooks:

Q. Is he paid by the auxiliary services?—A. No, he is paid by the Department of National Defence from the time he embarks for the United Kingdom.

Q. It is different here in Canada, is it not; he is paid by the auxiliary services here?—A. In Canada he is paid by his own organization

By Mr. Ross (Middlesex East):

Q. You mentioned a complete accounting system which is now being set up. What was the system of accounting prior to that time?—A. Well, the organizations kept their own accounts and they were audited by their own auditors; but we are now setting up a military accounting system which will be a check on that.

Q. Is that a special matter—this check—or is it going to be a permanent matter?—A. It will be a permanent matter because we want to know exactly how much money they are earning and on what they are spending it.

By Mr. Marshall:

Q. Why was that not set up before?—A. I cannot answer that.

By Mr. Hazen:

Q. Do these honorary officers, or whatever you call them, who are in charge of these canteens employ their help or where do they get their help from?—A. There is a provision that military or civilian helpers may be appointed. Military helpers—

Q. Who appoints them?—A. I was just coming to that. I was going to distinguish between the two. The provision originally was made by a privy council order for the appointing of civilian helpers; those civilian helpers who were appointed in Canada would be medically examined and approved by the Department of National Defence and then sent overseas. There have not been many civilian helpers sent overseas because an arrangement was made for the use of military helpers at the rate of four military helpers per 1,000 troops, and those men are picked out of the unit or the holding unit and still form part of the unit from which they are taken.

Q. Do they draw their army pay?—A. Yes, they draw their army pay.

By Mr. Brooks:

Q. The auxiliary services operate only dry canteens, do they not?—A. Yes, that is correct.

By Mr. Castleden:

Q. Do I understand that the amount paid over to the unit is 6 per cent of the profit or 6 per cent of the gross sales?—A. I believe it is 6 per cent of the gross profits of the N.A.A.F.I.

Q. I thought from the evidence we had last week that it was 6 per cent of the gross sales—A. In Canada the organizations pay over the percentage of the gross sales, but the N.A.A.F.I.—I make that statement subject to verification—I believe it was 6 per cent of the gross profits but I am speaking from memory.

By Mr. Marshall:

Q. Is it not 2 per cent of the gross sales in Canada?—A. No; in Canada they pay over 5 per cent of the gross takings.

By Mr. Castleden:

Q. Yes, that is right; and the N.A.A.F.I. turn over, as you think, 6 per cent of the gross sales?—A. I think it is gross profits, but that is subject to correction.

By Mr. Marshall:

Q. Are you setting up a separate organization for the work overseas from the organization that functions in Canada? There is a board in charge of the operations in Canadian canteens?—A. There is a budget board operating under the Department of National War Services, operating in Canada, and a similar board is being set up now in the United Kingdom.

Q. Would it be working jointly or would it be a separate board?—A. That is under the Department of National War Services, and I cannot answer that.

By Mr. Ross (Middlesex East):

Q. Can you give us a few details about the new accounting system presently being set up?—A. Well, it is being set up somewhat on the same basis as in Canada. The organizations will file regular monthly statements of their business. It is expected that it will be audited by their own people and checked by representatives of the regimental funds board in the United Kingdom, very similar to what is being done in Canada.

Q. Is this new machinery all set up? Has the personnel of this new accounting machinery been appointed?—A. No. It is being appointed by the Canadian military headquarters in the United Kingdom; and it was not appointed when I left.

Q. Was that a direct request from some of the units or was it just a matter of policy?—A. It was a matter of discussion with the officers of the Canadian military headquarters and myself.

By Mr. Brooks:

Q. What system do they have for allotting to the different services certain areas for their operation; or are they in competition with one another in the different camps?—A. The various organizations are allotted to the Canadian army formations and are brigaded; that is, there is one organization with each brigade of the division and they operate within that brigade. Wherever that brigade is, the organization allotted to the particular brigade functions. With the Royal Canadian Air Force personnel the situation is different, because we have Canadian personnel serving with slightly over five hundred British squadrons—R.A.F. squadrons. Therefore, we zone the United Kingdom; we divided it into four zones and allotted one of our organizations to each zone. That is the general set-up. There are certain special functions that each organization carries out.

Q. I understand that each brigade group has one of each of the services with it?—A. Exactly.

By Mr. MacKenzie (Neepawa):

Q. By what authority is the canteen set up? Who asks for the canteen in the first place? They are not forced on them, are they?—A. No. The O.C. of the unit either operates his own canteen or has N.A.A.F.I. operate it or has one of the national organizations operate it.

Q. I mean, how does it come into existence in the first place? Is it part of the organization?—A. It is the officer commanding the unit for whom the canteen is being operated who determines whether he shall have a canteen and who shall run it. There is no compulsion on anybody.

Q. A certain number of men must ask for the canteen; is that it? Or does the O.C. himself decide whether he wants one or not?—A. Well, I presume he knows whether it is necessary.

By Mr. Brooks:

Q. The O.C. can either have a canteen of his own or he can ask one of the services to operate a dry canteen?—A. Yes.

Q. That would be a dry canteen?—A. Well, our services only run dry canteens. If the O.C. wants a wet canteen, then he will either run it himself or get N.A.A.F.I. to run it.

By the Chairman:

Q. I should like to be clear on the distinction between the different organizations. Is N.A.A.F.I. operated entirely separate and apart from the auxiliary services?—A. Absolutely. N.A.A.F.I. is a British organization.

Q. N.A.A.F.I. is a British organization?—A. Yes.

Q. The correct name is what?—A. Navy, Army and Air Force Institutes.

Q. Does it operate amongst the Canadian troops, the Canadian armed forces?—A. N.A.A.F.I. has canteens with the Canadian armed forces.

Q. Has the Canadian government or the Canadian armed forces representatives on the N.A.A.F.I. organization?—A. Not as far as I am aware, no.

Q. Did I understand you to say that the units where N.A.A.F.I. happened to be operating get 6 per cent of the gross profits?—A. Yes.

Q. What happens to the balance of those profits, the other 94 per cent?—A. I do not know.

Q. So far as you know, the Canadian troops get no benefit from that?—A. I believe that the question of the ultimate benefit that the Canadian troops are to get from N.A.A.F.I. is now the subject of negotiation; but I have had no part in those negotiations.

Q. The Canadian auxiliary services do not, I understand, operate wet canteens?—A. No. They do not.

Q. Does N.A.A.F.I. operate wet canteens?—A. Yes. N.A.A.F.I. does.

By Mr. Adamson:

Q. I understand that a unit may operate its own dry canteen or may ask one of the auxiliary services such as the Y.M.C.A., the Knights of Columbus, the Legion or the Salvation Army to operate a canteen for them?—A. That is correct.

Q. They have that option, though?—A. Yes.

Q. If a unit operates its own canteen, the profits go directly to the unit?—A. That is correct.

By Mr. Marshall:

Q. Have you any record of the amount of money that has been turned over by the four national organizations to N.A.A.F.I.?—A. As far as I know, they have not turned any money over to N.A.A.F.I.

Q. Is there not some arrangement with these national organizations with respect to a certain percentage of the profits for operating canteens in the units?—A. In the United Kingdom?

Q. Yes.—A. No. Where the organizations operate the canteens, the profits made are spent for the benefit of the men; but there is no cash contribution made by the organizations.

Q. So there are no profits at all in connection with the operation of canteens overseas that go into the general funds, we will say, or into the Receiver General's account?—A. No.

The CHAIRMAN: Are you referring just to N.A.A.F.I.?

Mr. MARSHALL: I am referring to any organization operating canteens in connection with the army.

The WITNESS: Whatever profits—that is, net profits—are made out of the operation of the organization canteens in the United Kingdom are spent for the benefit of the Canadian forces by the organization which earned the profit.

Q. Then there are no funds for us to discuss at all?—A. No. There would be no funds to go into the central canteen fund under the present arrangement.

By the Chairman:

Q. Is there an accounting made to the government, or to any branch of the armed forces, of the money which the auxiliary services make?—A. Well, the organizations keep an accounting system; but in the United Kingdom, as far as I am aware, they have not made regular returns of their earnings to the military authorities.

Q. How do we know or how does anybody else know whether the profits which the organizations have made have been used for the benefit of the men of the armed forces?—A. Well, probably we do not exactly know.

By Mr. Brooks:

Q. Is there not a board set up with some members of the different units on the board, or on the committee, that looks after the funds? Is there not someone to see that the unit gets what it is entitled to, or do they leave it entirely with the auxiliary service organizations?—A. Well, so far, it has been left with the units, except for such statements as they file under the War Charities Act here.

By the Chairman:

Q. You explained that from N.A.A.F.I. the units get 6 per cent of the gross profits?—A. Yes.

Q. And we presume that the units spend that money amongst their men?—A. Yes.

Q. From the auxiliary services what percentage of the profits go directly to the units?—A. None in actual money.

Q. Then where do the profits go?—A. The profits are spent.

Q. No. Where do they go? Who gets them first of all?—A. The organization that operates the canteen gets the profits.

Q. Then do they account to any department of the government for those profits?—A. Not except in their general statement as may be made to Department of National War Services. There has been no special accounting of the profits of the particular canteens made yet in so far as I know.

Q. When the profits are spent for the benefit of the men, they are spent by the organization which made them. Is that correct?—A. That is correct.

By Mr. Isnor:

Q. Could you tell us the gross sales of the eighty-seven canteens during the past year, colonel—A. No. I have not those figures.

Q. But there is a record available for us?—A. Well, I have not the record; but I believe there would be, yes.

By Mr. Hazen:

Q. Would you care to express an opinion as to whether or not that system you have outlined in connection with profits is satisfactory?—A. Well, my own opinion was, when I arrived in the United Kingdom, that an immediate accounting system should be set up so that we would know exactly what profits were being made and how they were being spent; and that is being done.

Q. That is being done?—A. The accounting system is now being set up.

By Mr. Ross (Middlesex):

Q. When do you expect it to commence functioning?—A. Well, it should be functioning within a few weeks.

Q. How long has it been in the process of being set up?—A. Well, a couple of months.

Q. That is from March, April and May?—A. Yes. Of course, there are some factors that have come into the picture which have probably delayed it.

Q. Then it may be some weeks yet before it commences to function?—A. It may be, yes.

By Mr. Brooks:

Q. Have you had any complaints from any commanding officers of the units that they have not been receiving what they were entitled to from the canteens?—A. No. I did not hear any complaint, because the operation of the canteen is more or less under the control of the officer commanding the unit, and any complaints that he may have are pretty much within his own hands to remedy.

Q. How could he control that, if all the profits are being handled by the services?—A. Well, he has a pretty fair idea; and if the canteen is not giving his men the service, then he can either take it over himself or get someone else.

Q. In Canada here they set up in each unit a canteen committee composed of the officer commanding, an n.c.o. and a private?—A. Yes.

Q. Is that not done in England? That is the only way I can see how the commanding officer would know what is going on.—A. Of course, I think in every unit there is a committee within the unit.

Q. I think there must be.—A. Yes.

By the Chairman:

Q. Does that canteen committee in Canada supervise the auxiliary service canteens?

Mr. BROOKS: They know about all the profits. They know how the money is spent and they more or less know something of the accounting that goes on.

By the Chairman:

Q. In Britain are there not canteens which are operated separate and apart from the units—for instance, in large cities like London?—A. Oh, there are canteens in various communities operated by many organizations.

Q. No. I am referring to the auxiliary services or one of the auxiliary services.—A. Well, in their hostels in London they have a canteen in each hostel but that is included in the eighty-seven I gave you.

Q. But there would be no commanding officer to supervise in that canteen or no committee?—A. No, not that but with the auxiliary service, the officer in the area charged with the responsibility for the hotel has the general supervision, although he does nothing with the accounting.

Q. Are the profits from those canteens used also for the benefit of the troops generally?—A. Yes.

By Mr. Marshall:

Q. The fact remains that since the outbreak of war up to the present time there has been no accounting system set up in Great Britain with respect to the disposition of the funds of the canteens.—A. Might I also point out that from the beginning the Canadian organizations did not operate canteens. I think possibly, without being able to give the exact date, it is only about a year since our organizations commenced to operate their own canteens.

Q. Now we are getting a better picture of the thing, I think.

By Mr. Ross (Middlesex):

Q. There is a committee looking after or formulating this accounting system, I suppose.—A. Well, it is being done by the military authorities—the Canadian military authorities.

Q. Do you know who the members are who will pay special attention to the formation of this machinery?—A. Well, Colonel Booth, the assistant deputy adjutant general, is the officer at Canadian military headquarters, and the assistant director of auxiliary services. They are the two who would be charged with that responsibility.

Q. They are charged with that responsibility?—A. Yes.

By Mr. Adamson:

Q. In Canada the profits from the canteens in the units are spent in extras for the men—perhaps extra messing, sports equipment and possibly radios and other extra things at the judgment of the canteen committee or the officer commanding the unit or both. How are the profits in England spent? Take a unit with a Y.M.C.A. canteen, and it has a great number of—say, a thousand pounds of profit over a three-month period. How do they spend that money?—A. Well, they spend it on sports equipment, all the various services that they render for the men. They have not necessarily solely confined it to the men of that particular unit in which the canteen is operated.

Q. But a unit canteen run by the unit will spend the whole profit on the unit?—A. I can only say I presume so.

Q. Have you any idea of the percentage of units covered by their own canteens and the percentage covered by auxiliary service canteens?—A. No, I have not.

Q. Or have you any idea of the number covered by N.A.A.F.I.?—A. No. I have not those figures with me. We could get them.

Q. Is there any discrepancy in the prices of the various things between our canteens and N.A.A.F.I.?—A. No. The prices are the same.

Q. Is the choice of goods greater in our canteens than in the N.A.A.F.I.?—A. Well, that is one point I was going to make. My own personal opinion is that the profits in the canteen would not be in proportion to the profits made in canteens in Canada because of a limited stock of goods. It is difficult to get supplies. The war office has allotted to our organization a quota of certain goods and the requisition is made for three months in advance. Some of those quotas in the last few quarters have been materially reduced, but we are treated on the same basis as the British organization.

Q. For instance, are cigarettes sold at our canteens overseas at duty-free prices?—A. In our canteens in the United Kingdom we sell only British cigarettes; there are no Canadian cigarettes sold in our canteens.

Q. None?—A. No.

By Mr. Brooks:

Q. As a matter of fact the profits from the dry canteens are very small compared with the profits from the wet canteens?—A. Judging from the stocks on the shelves I do not see how the profits could be very great, and I felt that the canteens were being operated more as an immediate service to the men than for any profit that would be earned. Now, there are outposts where our men are served through the means of a mobile canteen, and that is purely a matter of service.

By the Chairman:

Q. Are there any civilians employed in our canteens in the United Kingdom?—A. Well, in our hostels where we run canteens there are civilians, either employed or volunteers. Incidentally I would like—I do not know whether this is the opportune occasion or not—to pay tribute to the people of the United Kingdom for the service they have rendered to Canadian forces in Great Britain, either through their various organizations or by personal effort. Their work has been simply marvellous. We have the use of their British hostels, and the quality of the accommodation in those hostels was far beyond anything I expected.

By Mr. Isnor:

Q. I think we should have filed with this committee a statement similar to that which was placed before us this morning in connection with the operation of the canteens showing the gross sales for the period from April 1, 1940, to

December 31, 1940, and from January 1, 1941, to December 31, 1941, including the sales, the operating expenses and the profits. And in addition to that I think we should have information showing the distribution of profits through the 87 canteens and an outline as to how the said profits were disposed of or distributed, in order that we may make a fair comparison of the method of distribution of profits as compared to the method employed in other organizations.

By Mr. Marshall:

Q. Would such information as that be easily obtainable?—A. I think we can get it. It will take a couple of weeks. If I could have a memorandum of that I will immediately cable for the information. It may take a week or so to obtain it.

By Mr. Castleden:

Q. This report has to do with canteens in Canada?—A. Yes.

Q. There is some material difference between the organization in Canada and the organization in the United Kingdom. We are operating in Canada under P.C. 60/3404?—A. Yes, which I understand confirmed the agreement.

Q. The agreement between the government and the military forces?—A. Yes.

Q. And that is somewhat different from the system under which our forces are operating in Great Britain?—A. Yes, the agreement does not apply to Great Britain.

Q. Is it your opinion that it would be to the advantage of all to extend this agreement to cover the units in England or do you think the present arrangement is better?—A. In my opinion there should be an agreement varied to suit the difference in circumstances.

Q. There is no agreement covering their operation at the present time?—A. No.

Q. And you think there should be?—A. Yes.

Q. And that will provide for uniformity and a more orderly procedure throughout?—A. Yes.

By Mr. Adamson:

Q. Do the auxiliary services operate canteens in Newfoundland and other places where Canadian troops happen to be?—A. Yes.

Mr. ISNOR: Is it agreed that Colonel Deacon will ask for that information, Mr. Chairman?

The CHAIRMAN: Colonel Deacon stated, that he would cable for that information immediately, and that it might take a week or so to obtain it. I understand from what Colonel Deacon says that it can be obtained from a head office set-up.

By Mr. Hazen:

Q. Am I to take it from that answer that there is no such accounting on record in Canada in regard to those 87 canteens? Is there no such record on file in Canada?—A. All I can say is that in the office of the Director of Auxiliary Services we have no such record.

By Mr. Sanderson:

Q. Colonel Deacon, I am sorry I could not hear your last statement?—A. I said as far as the Director of Auxiliary Services is concerned, there is not any information in the form of a record in Canada.

By Mr. Marshall:

Q. Would it be possible to get the same information covering the operation of wet canteens?—A. I have nothing to do with wet canteens.

Q. Who is supposed to be in charge of those?—A. Colonel de Lalanne could answer with respect to the regimental fund.

The CHAIRMAN: Colonel de Lalanne will give further evidence.

By Mr. Adamson:

Q. Would you care to state if the canteens prefer their own auxiliary services or the N.A.A.F.I.?—A. Well, of course, our auxiliary services are with all the units, and they are with them regardless of whether a canteen is operated or not. The principal object of our operations is not canteens; that is canteens are really incidental to the general operations. It is difficult to obtain an expression of opinion in that regard.

Q. You regard your canteens as purely extra service to the troops?—A. Exactly.

By Mr. Brooks:

Q. Not just recreational?—A. Canteens are purely a service to the men, and any profit made therefrom is incidental; they are not operated essentially for profit.

By Mr. Hazen:

Q. Did you have anything to do with the management and supervision of the canteen funds after the last war?—A. For a short time I was trustee of the Manitoba Canteen Fund.

Q. The order of reference under which this committee is sitting states that they are to inquire and report and so on, with respect to the policy and method of management to be adopted in the utilization of the said funds for the benefit of those who have served in the Canadian armed forces and for the benefit of the dependents of such persons. That is one thing we have to do, to consider the policy and method of management of these funds after this war. I do not know whether you care to express your own opinion as to the best policy of management of those funds having regard to your previous experience?

The CHAIRMAN: May I interrupt for a moment? Could we get first all the information possible with regard to the operation of the canteens in Great Britain? Would you mind withholding your question in the meantime, Mr. Hazen?

By Mr. Brooks:

Q. Are the services having any difficulty in obtaining sports equipment for the troops overseas?—A. They have not experienced any difficulty as yet, my observation was that adequate provision was being made.

By Mr. Adamson:

Q. Would you like to list the extra services that the auxiliary services provide in England? You know they provide sports equipment? What are the other things they do for the troops?—A. Well, they provide educational services. There are the various sports and recreational events in addition to the provision of the sports equipment therefor; and I might state that two of the best hockey games I have seen in years I saw in the Canadian army overseas.

By the Chairman:

Q. Between the Maple Leafs and the Canadiens?—A. It really was between Winnipeg and Port Arthur. Then there are concerts and entertainment. There is social hospitality in addition to the hostels. We run hospitality bureaus which provide for hospitality in the homes of the people throughout England. Then there are personnel services in the matter of personal and family problems

of the men. There are many other items, but I think that statement generally covers them.

By Mr. Adamson:

Q. Are there any hostess houses in England?—A. None operated by us.

Q. Can troops on leave go to the auxiliary services?—A. There are hostels operated in London and in all the larger centres throughout the United Kingdom. The auxiliary services operate hostels only in the city of London. There was a question of hostels being operated by our people in Edinburgh and Glasgow. We investigated and found that the British had sufficient hostels for the present needs. We also operate a pool for the distribution of bulk shipments of cigarettes. Then we provide liaisons between the organizations and the British army authorities in the matter of quotas, licences and so on. I do not assume that it is a matter of interest to this committee, but I could give you some of the figures. You asked for the items that the auxiliary services looked after?

The CHAIRMAN: I think the committee would like to have a statement of the funds that have been received, for which statement you said you would cable.

Are there any other questions in regard to the operations in the United Kingdom before we advert to Mr. Hazen's question?

Mr. Hazen, would you state your question again, please.

By Mr. Hazen:

Q. This committee, sitting under its order of reference, is authorized among other things, to inquire into and report and make recommendations on the policy and method of management to be adopted in the utilization of the said funds for the benefit of those who have served in the Canadian armed forces and for the benefit of the dependents of such persons. Now, from your experience with canteen funds after the last war, would you care to express your opinion as to how the funds that we are now dealing with should be managed and used after this war?—A. I do not think I am presently in a position to give such an opinion.

Q. It is a rather broad question, but I thought possibly you might have some ideas on it that the committee might find helpful. (No response.)

By the Chairman:

Q. Would you like to give us some information with regard to the disposal of the funds in the province of Manitoba?—(No response.)

Mr. MARSHALL: Will not that subject come up later? There is a section of the first report which has been put in as an appendix over the signature of Mr. A. J. Dixon, the chairman of the sub-committee on the Administration of Special Funds. Am I correct in assuming that Mr. Dixon will come before the committee?

The CHAIRMAN: Yes, it is proposed to call Mr. Dixon.

Mr. MARSHALL: Then I think the matter of the disposition of the canteen funds could be postponed.

Mr. CASTLEDEN: It would be a matter for the whole committee in any event.

The CHAIRMAN: Yes.

Mr. CASTLEDEN: Mr. Chairman on page 4, line 6, of the Minutes of proceedings and evidence, No. 1, the following appears:

"The Chairman: I will not call on Colonel Cairns."

I assume that should read:

"I will now call on Colonel Cairns." I do not know whether it is important or not.

The CHAIRMAN: In any event, he appeared before the committee but the correction will be noted in the minutes. Thank you, Mr. Castleden.

By Mr. Isnor:

Q. Colonel Deacon, if you carried on the present system of more or less perpetual distribution of profits, there would be nothing left at the end of the war to distribute in the way of funds, would there?—A. Not so far as the United Kingdom is concerned, no.

Q. So that question is washed out. (No response).

Mr. BROOKS: There are large profits from the Canadian canteen funds?

Mr. ISNOR: Canadian canteen funds are separate. The more important question is whether the present system should be continued, or whether they should adopt a system such as is in force in Canada to set aside a reserve or percentage of profits for future use. I would like to have Colonel Deacon's opinion on that point.

Q. I do not desire to put you on the spot, Colonel?—A. May I state that the present system of disposing of the canteen profits is in accordance with the wishes of the Army commander.

By Mr. Brooks:

Q. Do you not think it involves a waste of money, as far as the distribution of funds from wet canteens is concerned? I know there is a very large amount of money collected from wet canteens, and they have the right to spend that money on the troops, but I know that in some cases they are at their wit's ends to find means of spending this money. It seems to me that a large portion of this money should be coming into the treasury for disposition at a later date for the benefit of the men. (No response).

The CHAIRMAN: It is not coming in?

Mr. BROOKS: No; not from the wet canteens. The unit itself disposes of that money. From my own observation I know there is a very large portion of it being wasted at the present time. There are units that hardly know what to do with the money they are receiving.

Mr. MARSHALL: In Canada?

Mr. BROOKS: Yes.

Mr. SANDERSON: What are they doing with the money?

The CHAIRMAN: I might say, gentlemen, that we desire, if possible, to confine our inquiries to what is taking place in the United Kingdom.

Mr. MARSHALL: I think we should allow Mr. Isnor to continue.

The CHAIRMAN: Yes.

By Mr. Isnor:

Q. Coming back to my question, would you care to express an opinion?—A. The Army Commander who is the man on the ground and knows all the circumstances, is of the opinion that a better purpose is served if the money is, as it is phrased, "ploughed back" into the service for the benefit of the men rather than by giving the units a cash donation.

Q. That does not answer my question. I am asking as to whether a proportion of the profits should be set aside either in the form of reserve or some other form to be used for the benefit not only of the service men at the present time but also their dependents?—A. I have always been of the opinion that as far as possible all our canteen profits should be conserved for the benefit of the men and their dependents after the war. That is one reason why in the agreement in Canada we ask that the net profits be set aside, but unfortunately the sums are not very large to date.

Mr. ISNOR: That is why, Mr. Chairman, I am anxious to see the statement and ascertain whether it is worth while pressing for a change whereby a percentage of that profit would be set aside.

The CHAIRMAN: We hope to have that statement before us at a subsequent meeting.

May I interject a question?

By the Chairman:

Q. I understand that 6 per cent of the gross profits which we receive from N.A.A.F.I. includes profits from wet canteens which are operated by N.A.A.F.I. Is that correct?—A. Yes.

Q. Now, what happens to the profits from the wet canteens which are not operated by N.A.A.F.I., referring to the United Kingdom wet canteens?—A. As far as I am aware the profits where such canteens are operated by the units are for unit purposes.

Q. And is there any accounting to any department of the government with respect to those profits?—A. Well, I believe that all the regimental canteens file statements with the Regimental Funds Board.

Q. And is the Regimental Funds Board a department of headquarters?—A. Yes, the Regimental Funds Board in Canada is part of the Department of National Defence, and in the United Kingdom it is part of the Canadian Military Headquarters.

By Mr. Isnor:

Q. I think we should have it clear: you have no connection with these wet canteens?—A. I have nothing whatever to do with them; we do not operate any wet canteens.

Q. And therefore you do not enjoy any profits therefrom?—A. No.

By Mr. Adamson:

Q. That is, you do not know what happens to the profits from the wet canteens?—A. No.

Q. Auxiliary Services has nothing to do with them?—A. No.

By Mr. Marshall:

Q. Who knows about the profits accruing from the wet canteens overseas?—A. I presume the Regimental Funds would know.

Q. But what is the name of the organization operating in Canada?—A. Colonel de Lalanne probably could answer you better than I can with regard to that question.

Colonel DE LALANNE: There is a Regimental Funds Board in Great Britain which receives reports in a similar manner to the way in which we receive reports from units in Canada. It is a separate organization entirely. I do not receive any reports with regard to the operations of such canteens.

By Mr. Marshall:

Q. You said that certain factors tended to delay the setting up of your accounting system. What are those factors? It was under consideration to set up a branch of the Budget Board in the United Kingdom, and pending the final determination of policy in that matter we were delayed. The policy which will be adopted in future has not been decided upon?—A. The policy has now been decided upon. It has been decided that there will be a Budget Board in the United Kingdom, so that they will have their accounting system as well. We did not want to do anything that would mean duplication.

The CHAIRMAN: Thank you, Colonel Deacon, we are grateful to you for the information you have given us.

Colonel de Lalanne desires to make a brief statement with regard to the financial statements which he furnished to the committee.

Colonel DE LALANNE: Gentlemen: Apparently I made a grave omission in not appending a note to the effect that the statements which I have filed here and listed for you in a memorandum covered the canteens operated by units and formations of the active army in Canada including, where applicable, Newfoundland and Iceland during the period the Canadian troops were stationed there. That is not shown at the top of the various statements.

Also I have brought along today several copies of form M.F.D. 923, and with your permission I will leave copies of those with the secretary of the committee in case any members would like to refer to them.

Then I have handed in a list of specimen books and forms in use, including rules for the management of messes and institutes. I received the revised copy of the booklet this morning. Then there are other copies of books and forms in use which I think will explain some of the questions asked at the last meeting as to what efforts were made to help the unit commanders to ensure that they were receiving the proper proceeds from the sale of goods. I will leave copies of all those documents with Mr. Chasse, the secretary of the committee, and if I am required to appear again I can enlarge on them at that time.

LIST OF SPECIMEN BOOKS AND FORMS IN USE

1. Rules For the Management of Messes and Institutes, Canadian Militia and Royal Canadian Air Force (1938).

(a) 1938 Print.

(b) 1940 Print.

2. Rules For the Management of Messes and Canteens, Canadian Army (1942).—French and English combined.

3. Order Book M.B. 86.

4. Stock Book M.B. 93.

5. Stewards Cash Book M.B. 94.

6. Canteen Cash Book M.B. 89 (being revised for next reprint).

7. Ledger (Bound) M.B. 92 or (Looseleaf) M.F.D. 924.

8. Inventory Sheet M.F.M. 133.

9. Financial Statement M.F.D. 923.

10. Minute Book—Various suitable books available at Printing and Stationery Branch, e.g., M.B. 60.

11. Journal—Various suitable books available at Printing and Stationery Branch, e.g., M.B. 60.

12. Audit Clearance Report M.F.M. 63.

Mr. MARSHALL: Would Colonel de Lalanne file a copy of the general order establishing the Regimental Funds Board?

Colonel DE LALANNE: Yes.

Colonel CAIRNS: I wish to file a certified copy of the order in council authorizing the setting-up of the agreement between the Minister of National Defence, of the first part, and "Four Organizations", of the second part, relative to the operation of canteens in Canada.

The CHAIRMAN: A copy of the order in council will be distributed amongst the members of the committee.

Mr. MARSHALL: Will it be embodied in the minutes?

The CHAIRMAN: If you so desire. Each member of the committee will have a copy. I do not know whether it is necessary to embody it in the minutes unless the committee so desires. The secretary informs me that the

other agreements are incorporated in the minutes, so it will be just as well to incorporate this agreement in the minutes also.

Will the committee meet again at the call of the chair? It is rather difficult to set a definite date.

Mr. ISNOR: Is M.F.D. 923 a monthly return?

Colonel DE LALANNE: Yes, for the active force units, and semi-annually for reserve units.

Mr. ISNOR: Is there any set date as to when it shall be returned?

Colonel DE LALANNE: The regulations require it to be delivered to the district headquarters not later than the 16th of each month.

Mr. ISNOR: Is that generally observed?

Colonel DE LALANNE: Quite well now. They are coming in very well now.

Mr. ISNOR: What check is there in the regulations with regard to bills payable, outstanding accounts? I notice it calls for the monthly outstanding bill. What check have you that it would not be carried over from one month to another?

Colonel DE LALANNE: The unit audit boards check that and it is again checked at district headquarters. Up until now we have also watched that very carefully at this headquarters, comparing the purchases during the month with the liabilities at the end of the month and so forth.

The CHAIRMAN: Colonel de Lalanne will be present at a future meeting of the committee.

Mr. ADAMSON: Could we get some statement concerning the educational facilities operated by the auxiliary services at the next meeting?

The CHAIRMAN: Yes. The Minister of Pensions and National Health was good enough to write a letter stating that on account of the conference it would not be possible for him to be present at to-day's meeting, and that he looks forward to receiving the report of the committee's proceedings.

The meeting adjourned at 11:35 a.m. to the call of the chair.

APPENDIX I

P.C. 60/3404

Certified to be a true copy of a Minute of a Meeting of the Treasury Board, approved by His Excellency the Governor General in Council, on the 24th July, 1940.

NATIONAL DEFENCE

The Board recommend that the attached Agreements, entered into between His Majesty the King, represented by the Honourable the Minister of National Defence of the Dominion of Canada, and the Young Men's Christian Association, Salvation Army, Knights of Columbus, and the Canadian Legion War Services, Inc., respectively, be authorized.

Clerk of the Privy Council.

The Honourable,
The Minister of National Defence.
July 26, 1940.

H.Q. 54-27-29-2

F.D. 3 2 R.F.B.

MEMORANDUM OF AGREEMENT made this _____ day of
A.D. 1940

BETWEEN

His Majesty the King represented herein by the Honourable the Minister of National Defence of the Dominion of Canada, hereinafter called "The Minister," of the First Part,

AND

The Young Men's Christian Association, The Salvation Army, The Knights of Columbus, The Canadian Legion War Services, Inc., hereinafter called "The Organization," of the Second Part.

Whereas it is recognized that it is desirable and necessary in time of war that the civilian population of Canada should be afforded an opportunity of making a contribution to the comfort and welfare of members of the Naval, Military and Air Forces of Canada on Active Service in the present war, hereinafter referred to as "members of the Forces," by enabling provision to be made, through the agency of certain organizations, of which the Organization is one, for such Welfare Projects and Services as sports, recreation, lectures, schools, reading rooms, entertainments, canteens, shelters, refreshments and other facilities of a like nature;

And whereas the Organization has offered to supply such Welfare Projects and Services as may be within its means if, as and when requested to do so by the Minister or his representative.

And whereas the operation of certain of such Welfare Projects, such as Canteens, etc., may result in a profit, which profit, it is agreed, shall be utilized for the sole benefit of members and ex-members of the Forces and their dependents, as further provided in this Agreement.

And whereas it is desirable and necessary, in order to avoid misunderstanding, that the method of determining such profits and disposition of same, should be clearly defined and made applicable in a uniform manner to all organizations furnishing such Welfare Projects and Services;

Now therefore this agreement witnesseth that, for the purposes aforesaid and to carry out the voluntarily expressed desire of the Organization that it, the Organization, will not derive any financial gain or profit from any such Welfare Projects or Services which may be operated by it on a trading or merchandising basis, it is mutually agreed as follows:—

1. The Organization, at the request in writing of the Minister, or such officer as may be deputized by him for that purpose, will provide, within the means at its disposal, such Welfare Projects and Services in Canada as may be agreed upon with the Minister, or Officer aforesaid, for the purpose of contributing to the comfort and well-being of the members of the Forces.

Notwithstanding anything herein contained, it is understood and agreed that the Organization will not provide or establish any Welfare Project or service other than those authorized in writing by the Minister or his representative.

2. For such Welfare Projects and Services so established the Organization will provide at its own expense all buildings, fixtures, equipment, utensils, etc., for the proper carrying on of such Welfare Projects and Services.

3. The Minister, in areas under his jurisdiction where such Welfare Projects and Services are required will, when the same are available, provide the necessary areas for the erection of suitable buildings by the Organization at its own expense or, if available, will permit existing accommodation to be used to such extent as he may determine for the housing of such Welfare Projects and Services.

4. For such accommodation as is provided by the Organization or made available to it by the Minister in areas occupied by or otherwise controlled by him, the Minister will provide, or cause to be provided, without expense to the Organization, such light, water, sewage, heating, trucking service, including fatigue parties and living quarters and messing for the Organization as, in his opinion, can be provided, due regard being had to the convenience, economy and practicability thereof, of which he shall be sole judge.

5. For such Welfare Projects and Services as may be established the Organization will provide at its own expense the necessary personnel for the proper carrying on of same, provided always that such personnel shall be persons not eligible to serve on Active Service, or, if eligible, are not presently required for Active Service.

It is agreed, however, that the wages of personnel exclusively engaged in the operation of canteens and similar services of a merchandising or trading nature shall be recoverable by the Organization out of the revenues of the said canteens or services.

6. The Organization will manage and operate all such Welfare Projects and Services in accordance with such directions as may be issued from time to time by the Minister or his representative. All such Welfare Projects and Services as are located in camps, barracks or stations occupied by the Minister shall be open to inspection at all times by the Minister or his representative and the Organization will, with respect to its personnel employed on such last mentioned Welfare Projects and Services, give effect to all orders, directions and instructions which may from time to time be issued by the Minister or his representative. Without restricting the generality of the foregoing, the charges made by the Organization for all commodities, meals and foodstuffs sold by the Organization in any such welfare project or service will be subject to the approval of the Minister or his representative.

7. The Organization, in respect to all merchandising or trading projects or services, will maintain and keep in a form satisfactory to the Minister, proper Books and records which will be periodically audited by the auditors of the Organization and which will at all times be subject to inspection by the Minister or his representative.

8. The Organization hereby agrees that the net profits, as determined on the basis set forth hereinafter, derived from the operations of such projects and services as may be operated on a merchandising or trading basis shall enure in their entirety for the benefit of the members and ex-members of the Forces, and their dependents, and such profits shall be determined and disposed of in the manner following, that is to say:—

(a) The Organization shall, on or before the fifteenth day of each month supply to the Minister or to such representative as he may designate, a detailed statement, signed by the proper signing officers of the

Organization, showing the gross receipts of each of such projects and services for the preceding month, together with a statement of interim monthly distributions made to or on behalf of units, as provided for in subsection (b) hereto.

- (b) The Organization shall, on or before the fifteenth day of each month, transmit a cheque for an amount equal to five per cent (5%) of the gross receipts of each of such Projects and Services for the preceding month to the Commanding Officer of the unit served by such project or, in the case of camps, barracks, stations or areas occupied by a number of units to the Camp, Barracks, Station or Area Commandant for distribution to units and detachments comprised in the said camp, barracks, station or area.
- (c) When the number of Units served by any Project or Service operated by the Organization is so numerous as to render difficult an equitable distribution among such Units, or where, for any reason, in the opinion of the Minister or his representative, it is difficult to arrive at an equitable distribution amongst Units, the Minister or his representative may direct that in such cases no direct distribution shall be made to or on behalf of Units in the case of such Project or Service and that the entire net profits shall be paid over to the Board of Trustees.
- (d) For the purpose of determining the Net Profits of such Projects and Services it is agreed that the cost of the following items only shall be deductible from gross receipts:—
 - (1) Cost of Goods, including transportation.
 - (2) Wages of personnel wholly and exclusively employed in canteens or similar projects.
 - (3) Fuel, light and water, when not gratuitously provided.
 - (4) Laundry of linen, uniforms, etc., used in Canteens, etc.
 - (5) Minor repairs and replacements, including replacements of crockery, cutlery, utensils, etc.
 - (6) Fire Insurance and Bond Premiums on Staff (if carried).
 - (7) An allowance of two per cent (2%) on the gross receipts to cover overhead expenses, such as supervision, accounting, postage, etc.
- (e) The following items shall not be deductible for the purpose of determining Net Profits:—
 - (1) Capital Expenditure for Buildings, Equipment or the Original installation of Crockery, Cutlery, Utensils, etc.
 - (2) Any allowance for depreciation on Buildings or Equipment.
 - (3) Cost of meals or other refreshments supplied gratuitously to naval ratings, soldiers or airmen by the Organization.
- (f) Should any dispute arise in determining the propriety of the inclusion of any item of expenditure as a deduction from Gross Receipts for the purpose of determining Net Profits, the decision of the Minister shall be final.
- (g) The Organization shall within thirty days (30) after the expiration of each period of two months operations of such projects transmit to the Minister or his designated representative, the following:—
 - (1) A detailed statement of Income (Receipts) and Expenditure for the two months preceding for each of such projects or services, such statement to be certified by the Auditors of the Organization.
 - (2) A summary showing the Net Profit of each of such Projects and Services, the amounts of interim distribution made on behalf of each and the net balance remaining undistributed, such summary to be certified by the Auditors of the Organization.
 - (3) A cheque for the aggregate amount of the undistributed net profits of all such projects and services operated by Organization for the said period of two months preceding, and as shown by the summary provided for in the subsection immediately preceding.

9. A Board of Trustees will be appointed by the Minister after consultation with the representatives of the Canadian Legion War Services Inc., The Young

Men's Christian Association, the Salvation Army, and the Knights of Columbus, such Board to be designated by such name as the Minister may direct.

- (a) The Board of Trustees will establish a Trust Fund which shall, at the sole discretion of the Board, consist of funds on deposit with the Head Office or any Branch of any Canadian Chartered Bank, or securities of the Dominion of Canada, or securities guaranteed both as to principal and interest by the Dominion of Canada.
- (b) The Board of Trustees will receive and hold in trust:
 - (1) All moneys received by it from the Organization or other Organizations by way of net profits arising from the operation of Projects or Services in excess of the amount of such profits distributed directly to or on behalf of units as hereinbefore provided.
 - (2) All moneys received by it from the Organization or other Organizations by way of residual funds unexpended after discontinuance of Welfare Projects and Services.
 - (3) All moneys received by it from any source for the benefit and welfare of the members and ex-members of the Forces and their dependents.
- (c) The Board of Trustees will pay out the money comprised in the said Trust Fund in such manner as may be determined for the use and benefit of the members and ex-members of the Forces and their dependents.

10. When the various Projects and Services operated by the Organization at the request of the Minister are discontinued, a final financial statement, duly audited by the Auditors of the Organization, shall, within reasonable time after the discontinuance of the said Projects and Services, be filed with the Minister by the Organization and the Organization shall thereupon pay over to the Board of Trustees the whole balance of funds remaining in the hands of the Organization by way of net profits arising from the operation of projects and services operated by the Organization in pursuance of this Agreement.

11. Notwithstanding anything to the contrary herein contained upon the termination of this Agreement by mutual agreement between the parties hereto, or sooner at the pleasure of the Minister or upon the resumption of possession by the Minister at any time in his discretion, of any accommodation on areas within his jurisdiction provided by him for the use of the Organization for the purposes of said Welfare Projects, the Organization will not claim damages or compensation in respect of any buildings erected by them upon such areas so provided by the Minister. It is agreed and understood that all buildings erected by the Organization and equipment installed by the Organization shall, at the termination of this Agreement, be disposed of to the best advantage as may be mutually agreed upon between the Minister and the Organization.

Notwithstanding the foregoing, it is understood and agreed that, at any time after the termination of this Agreement, the Minister or his representative may request the Organization to remove any buildings or equipment situated upon any area or areas within the jurisdiction of the Minister and the Organization shall, within sixty days of receiving such request, remove or cause to be removed the buildings or equipment so requested to be removed.

12. The Minister will ensure that the same care and protection is given the property of the Organization within areas under his jurisdiction as is accorded to Military property.

IN WITNESS WHEREOF the Parties hereto have hereunto set their respective hands and seals the day, month and year first above written.

SIGNED, SEALED AND DELIVERED
by the Party of the First Part
in the presence of,—

SIGNED, SEALED AND DELIVERED
by the Party of the Second
Part in the presence of,—

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Canada - Canteen Funds, Special

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SESSION 1942
HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

CANTEEN FUNDS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

THURSDAY, MAY 21, 1942

WITNESSES:

Lt.-Col. J. A. de Lalanne, President, Regimental Funds Board (Army).
Paymaster Captain J. O. Cossette, R.C.N., Deputy Judge Advocate
of the Fleet.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 497,

THURSDAY, May 21, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 11.30 o'clock, a.m., Mr. W. Ross Macdonald (*Brantford City*), Chairman, presided.

Members present: Messrs. Black (*Yukon*), Blanchette, Brooks, Castleden, Cruickshank, Emmerson, Gillis, Macdonald (*Brantford City*), Mackenzie (*Vancouver Centre*), Macmillan, McCuaig, McLean (*Simcoe East*), Marshall, Ross (*Middlesex East*), Ross (*Souris*), Sanderson, Turgeon.

In attendance: Paymaster Captain J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet; Lt.-Col. J. A. de Lalanne, President, Regimental Funds Board with Major Georges Garneau, Capt. L. T. Ellyett, Secretary, and Capt. D. Donnelly; Flying Officer D. J. McLennan of the Directorate of Accounts and Finance, R.C.A.F.; Mr. Robert England, Executive Secretary, General Advisory Committee on Rehabilitation; Mr. A. J. Dixon, Chairman of subcommittee on the Administration of Special Funds with Mr. A. M. Wright, Director of Rehabilitation, Department of Pensions and National Health.

The Chairman outlined the business before the Committee for to-day, but before proceeding with the examination of the witnesses he filed with the Committee two statutes, one of 1925 and the other of 1928, which, by consent of the Committee, were ordered to be printed in the report of to-day's Minutes of Proceedings and Evidence as Appendix "J".

Lt.-Col. J. A. de Lalanne was then recalled. During his deposition the witness produced a number of statements relating to the administration of canteens in Canada, Newfoundland and Iceland and it was explained by the Chairman that a copy of these documents would be supplied to each member of the Committee. The witness also filed copies of G.O.s 40/1940 and 282/1941 and these General Orders, by consent of the Committee, were ordered to be printed in the report of to-day's Minutes of Proceedings and Evidence as Appendix "K".

At 12.15 o'clock, p.m., the Chairman, Mr. Macdonald, withdrew and Mr. J. A. Blanchette, the Vice-Chairman took the Chair.

Mr. Blanchette took this opportunity to voice his thanks to the members for his election as Vice-Chairman and the proceedings continued.

At the conclusion of the witness' examination, the Vice-Chairman expressed the appreciation of the Committee to Lt.-Col. de Lalanne for his hearty co-operation and the valuable information he had furnished and he was allowed to retire.

Captain J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet was afterwards called.

The witness read a short brief concerning the activities of the canteens and the system of administration within the Navy. The witness was examined at length thereon. The Vice-Chairman voiced the thanks of the Committee to the witness and he was allowed to retire.

Before adjourning, the Vice-Chairman informed the members that at the next sitting the Committee would hear Air-Commodore A. Nairn of the R.C.A.F. and Mr. A. J. Dixon of the Department of Pensions and National Health.

At 1 o'clock, p.m., the Committee adjourned to meet again at the call of the Chair.

ANTOINE CHASSE,

Clerk of the Committee.

NOTE.—The next meeting of the Committee will be held, by order of the Chairman, on Thursday, May 28, at 11.30 o'clock, a.m., in Room 497.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 497,

May 21, 1942.

The Special Committee on Canteen Funds met this day at 10.30 o'clock a.m. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: Gentlemen, we have Colonel de Lalanne with us again to-day. Colonel de Lalanne is President of the Regimental Funds Board. I do not think there is anything on the record as to just what that board is, how it is constituted, or what its functions are, and I thought that Colonel de Lalanne might explain that to us before he gives his evidence to-day. I might also say that unfortunately I will have to go to another meeting shortly after 12 o'clock and Mr. Blanchette is here and he has been kind enough to agree to take the chair when I leave.

Now, is there any matter which you wish to bring before the meeting before we call Colonel de Lalanne? There is just one matter I would like to bring to the attention of the committee, and it has to do with two bills which were passed respecting canteen funds. One bill was passed in 1925 and the other bill was passed in 1928. Mr. Dixon informs me that both these bills are out of print, and if the committee approves I would suggest that the bills be added as an appendix to the report of this committee meeting.

Is there anything further that any member of the committee wishes to bring before the committee?

Mr. CASTLEDEN: Mr. Chairman, in looking over the reports from the various provinces in pages 34 and 35 I notice that British Columbia has placed on record an eleven-year summary ending March 31, 1937, which gives a fairly comprehensive view of the number of applications made and how they were treated. I see the British Columbia fund is now depleted. There is some record as to how it was expended. I was wondering whether or not we could get a similar report from the other provinces in regard to that expenditure?

The CHAIRMAN: Probably Mr. Dixon could give the committee some information with respect to that.

Mr. MARSHALL: I think that matter could very well be left until Mr. Dixon appears before the committee, because there is a rather extensive report here in this copy of the minutes of proceedings over the signature of Mr. Dixon; so I really believe that that could be left until we have finished with Colonel de Lalanne.

Mr. CASTLEDEN: I am not indicating that this be brought up now; it is only for future reference.

The CHAIRMAN: I think Mr. Castleden's suggestion is that if we could obtain that information now we would have it before Mr. Dixon gives his evidence, and I wonder if that information is available, Mr. Dixon?

Mr. DIXON: I will endeavour to consolidate it from the annual reports which are sent in each year to the minister. I think the old reports are available and I will consolidate a similar report.

Mr. CASTLEDEN: Would it be possible for this committee to have a copy of the report of the commission regarding the canteen funds in Saskatchewan. It is a rather unfortunate thing that happened there and people want to know

what the findings of the commission were. I would like to know whether a copy of the complete report of the commission would be available to this committee.

The CHAIRMAN: Could Mr. Dixon give the committee any information with respect to that?

Mr. DIXON: A copy of the findings are on our files. I do not think we have a complete report of the commission. I shall be glad to bring that along.

Mr. MARSHALL: Are these findings of a very voluminous character?

Mr. DIXON: They are not.

Mr. MARSHALL: Could they be embodied in the minutes?

The CHAIRMAN: Would it be better if Mr. Dixon brought them along when he gives his evidence and we could see how long they are then we could decide whether they should be incorporated in the minutes. Mr. Dixon, would you be good enough to bring them with you when you attend our meeting?

Mr. CASTLEDEN: Is the report of that commission not available?

Mr. DIXON: I imagine it would be available, but it is not available in the department.

Mr. CASTLEDEN: I would like to know whether it could be made available to the members of this committee?

The CHAIRMAN: I have no information with regard to that myself, but I will make inquiries and let the committee know at the next meeting or as soon as I can obtain the information.

Mr. ISNOR: Along the same lines and for the same reason as has been advanced by Mr. Castleden in regard to Saskatchewan, I would like to see a report—a fuller report than that shown on page 35—in reference to the province of Nova Scotia. I do not like the wording there. If there is anything to be cleared up I think we should know about it. It is rather unfortunate, perhaps, that certain things happened in Nova Scotia as they apparently did in Saskatchewan.

Mr. CASTLEDEN: Not quite so bad, I do not think.

Mr. ISNOR: I would like to see a fuller report. Perhaps Mr. Dixon would at the same time bring along the report with regard to Nova Scotia.

Mr. ROSS (*Middlesex East*): When were those two investigations held?

The CHAIRMAN: Mr. Dixon, I do not know whether you could give the information now as to when the investigations were held in Nova Scotia and Saskatchewan, but would you be good enough at the next meeting to bring a fuller report of the investigation in Nova Scotia?

Mr. DIXON: I do not think there was any investigation conducted in Nova Scotia, as far as I know.

The CHAIRMAN: Apparently, there was no investigation in Nova Scotia. I think Mr. Isnor would like you to bring, if possible, as full a statement as you can with respect to the distribution of the canteen funds in Nova Scotia.

Mr. SANDERSON: Was there an investigation in the province of Ontario?

The CHAIRMAN: With regard to Ontario, Mr. Sanderson, I might say that at the last meeting of the committee it was decided to ask Major Lewis—I believe he is secretary-treasurer of the trustee board—to appear before the committee and give the committee full information with regard to the administration of the funds there.

Mr. SANDERSON: When will he appear before the committee?

The CHAIRMAN: It will be for the committee to decide. We have a number of witnesses ahead of us now; I would think he would be here in a few weeks.

Mr. SANDERSON: Of course, that is rather indefinite.

The CHAIRMAN: Would you like to set a definite date now?

Mr. SANDERSON: I would like to set a date, Mr. Chairman.

The CHAIRMAN: I would be very glad to set a date, and I will let you know personally when he is coming and I will endeavour to let the committee know also when he is coming. It is very difficult to set dates ahead for these committee meetings.

Mr. SANDERSON: I am quite aware of that.

The CHAIRMAN: Are there any other matters which any other members would like to bring up before Colonel de Lalanne gives his evidence. If not, I will ask Colonel de Lalanne to address the committee.

Lt.-Col. J. A. DE LALANNE, Recalled

The WITNESS: Mr. Chairman, I have copies of these various reports that I will read and I can hand them in for the official record later. I will read the main points that affect the matters I have been asked to speak about. The Regimental Funds Board was established under General Order No. 40 of 1940, dated the 2nd March, 1940, and was to consist at that time of a president, a vice-president, full time officers, and two ex-officio members, one officer representing the Adjutant-General's branch and one representing the Judge Advocate-General's branch.

2. The board is charged with advising the Adjutant-General upon all questions dealing with canteen funds and other regimental funds including the funds of canteens, hostels, recreational and educational facilities, etc., administered by any organization authorized by the department to operate such canteen, etc., for the benefit of the troops and with the inspection and auditing of all such funds as set out below.

3. The president, assisted by such officers and staff as may be appointed, will, in pursuance of such instructions as are from time to time issued by the Adjutant-General, inspect, audit, and examine into:—

- (i) All the canteen and other regimental funds belonging to units of the C.A.S.F., serving in Canada, together with the funds of all canteens, hostels, recreational and educational facilities, etc., administered by any organization, which may be operating such canteens, etc., for the benefit of the troops, under the authority of the department.
- (ii) All questions relating to the administration and safekeeping of canteen and other regimental funds of all units of the C.A.S.F., which have proceeded, or are about to proceed overseas, including the setting up of trusteeships, etc.
- (iii) All questions relating to canteen and other regimental funds belonging to units of the C.A.S.F., which are serving outside of Canada, which may be referred to National Defence Headquarters.

4. Officers commanding units and detachments will prepare their accounts and books for such periodical audits or inspections as the president of the board may make from time to time, in addition to the normal quarterly audit conducted by the regimental audit board.

At that time the first division had gone overseas, and while I have not the exact figures as to the number of troops there would be in Canada, there would be a second division and probably some corps troops and probably some reinforcements. The duties have grown considerably since that time. On the instruction of the Adjutant-General, as provided for in paragraph 3, and on the advice of the Judge Advocate-General in September of 1941, we put down on paper more or less the duties which the board was undertaking at that time,

and it was signed by the Adjutant-General, as an instruction to the board to make the work official. I have a copy of that memorandum here, and if you wish I could refer to the various subheadings of it and answer any further questions you might like to ask.

By the Chairman:

Q. May I ask whether you had a large staff?—A. The staff originally when I came to Ottawa in February, 1941, consisted of one officer in addition to myself, one sergeant and one stenographer. As the work has increased we have been allotted—but we have not had a complete staff yet—a staff of five officers including myself, four other ranks and four stenographers.

By Mr. Marshall:

Q. What were the names of the members of the board and their ranks?—A. At the present time?

Q. Yes.—A. Myself as president, Major M. J. MacLeod, acting major.

Q. What position does he hold?—A. There are no other positions by name. The officers are all doing special types of work. There is no official position except one, an acting secretary appointed by the board itself.

Q. There is a membership of four?—A. The membership of four includes myself as the president, Colonel H. T. Cock of the Adjutant-General's branch, and Major L. H. Clayton, of the Judge Advocate-General's branch. No present member of the staff has been designated as vice-president.

Q. Does Colonel Deacon tie into that organization in any way?—A. We work together, but he is not a member of the board. The board does a certain amount of bookkeeping for him and advises him on financial matters respecting statements submitted in regard to operations of the national organization's canteens, and I attend various meetings with him on occasions when matters of finance are being discussed.

Q. You gave this General Order No. 40; are you filing that?—A. I have filed a copy with the amending order 282 of 1941, which was to withdraw the basis of grading of pay of the president and vice-president. There is nothing in the way of instruction in it.

By Mr. Isnor:

Q. You have a staff of ten at the present time?—A. Twelve.

Q. And do you think that will have to be increased?—A. I do not think we can work any more hours. I hope it will not have to be increased, but I had hoped when this staff was allotted to us that it would be sufficient. It may be, if the army keeps on increasing that we will need more staff but I hoped we would be able to find other ranks personnel for some time and not have to increase the officer personnel.

By Mr. Marshall:

Q. Colonel de Lalanne, will you give us some information with respect to the set-up in each military district. That ties in with the headquarters organization, does it not?—A. Yes. In the eleven military districts and Newfoundland, provision is made for 25 officers and 41 other ranks or civilian stenographers. Those vary in the respective districts. In three smaller districts there is one officer and three other ranks, and in the largest district provision is made for three officers and five other ranks, while the Newfoundland authority, which I have included here and which will be approved shortly, is two officers and one other rank. The numbers in the different districts has varied between 1, 2 and 3 officers and 3, 4 and 5 other ranks which we determined on the basis of the work which we felt is being done in each district, whether or not they have a large camp or a large concentration, and from the computation of these various monthly reports that come in from active units and the semi-annual

reports from the reserve units. I do not know how long the staff I have will be suitable; it may be small or it may be large in some districts; but if necessary we will have to adjust that from time to time.

Q. How are these boards set up?—A. Originally in the early part of 1940 arrangements were made for district audit boards in the districts, and that staff was chosen firstly from among pay corps staff, I think, in nearly every instance. They had an audit board in each district of three officers with a chairman and usually a warrant officer, class 1, of the R.C.A.P.C., if a sufficient number of qualified officers were not available; and the instructions at the time were that the ability, training and experience of the officers in accountancy or finance was to count more in making the appointments rather than the rank. These boards carried on for some time in most of the districts. Permission was then given to call out a special officer to give full time to this work and he was given the title of district audit officer. About a year later, or a little more, provision was made on the home war establishment of each district for these district audit officers whom I have mentioned here, numbering at that time 23, exclusive of Newfoundland. We found there was some little conflict or that it was difficult to determine what the actual duties of that audit officer were as compared with the duties of district audit boards, and after visiting certain districts and discussing it with the district officers commanding, the district audit boards as such were dispensed with as many of the officers thought they were more or less a rubber stamp, and with a qualified accountant as district auditor, a check was substituted for the statements and there was very little necessity for the other members going over everything meticulously again. On the 31st January, 1942, permission was given to the districts to discontinue audit boards as such and to place the responsibility of the work which had previously been the joint responsibility of the board and of the audit officer squarely upon the shoulders of the district audit officer through the district officer commanding.

By Mr. Isnor:

Q. Was this appointed officer selected by the district officer commanding in that particular district, or was he sent to that district?—A. Both ways; he would be recommended by the district officer commanding with the appointment concurred in by National Defence headquarters.

Q. Do you recall the appointment of the audit officer in M.D. 6, as to whether he was sent or selected by the D.O.C.?—A. Which one? The first one? The first one would be before my time. Do you mean Captain Bambrick who has since died?

Q. Yes.—A. I could not answer that. I think he was actually appointed before the district audit boards were established. Would you like an answer to that?

Q. Yes.

By Mr. Sanderson:

Q. Will you tell me for my information who is the officer in M.D. No. 1?—A. Major Kime.

Q. With headquarters at London?—A. Yes.

Mr. ROSS (*Middlesex East*): And a good man, too.

Mr. SANDERSON: Colonel de Lalanne, would it be easy for you to give us a list of the districts and the names of the officers?

The WITNESS: Yes.

The CHAIRMAN: Mr. Sanderson, did you have any further questions?

Mr. SANDERSON: No, not at the moment, Mr. Chairman.

By Mr. Isnor:

Q. I have one other question to ask in connection with audit officers. In addition to their qualifications to carry on audit work is category taken into

consideration and fitness for military services?—A. Yes, I would think that every factor conceivable is taken into consideration. I would not like to say definitely or exactly what was considered in every instance; I would not be in a position to say that; but we have endeavoured to appoint as many older men as we could.

Q. I think that should be taken into consideration.—A. I might say that one of the difficulties in finding older men very often is that they are holding responsible positions and it may have been difficult to find older men who are well qualified practising accountants in every instance. I do not look for them particularly if the districts can find them themselves and recommend them. We do try to put the responsibility back on the districts as much as we can, but if it is necessary to find some suitable persons I give my assistance.

By Mr. Cruickshank:

Q. What about the rank and file, are they of military age?—A. Some of them may be; some of the districts are shorthanded because they have been trying to find category "C" men and they are finding this difficult.

Q. If they go to British Columbia they can get a thousand?—A. We are bringing some down from B.C. at the moment.

Q. I understand that there are engaged in this work men of military age for overseas service?—A. There may be some. I am awaiting a complete report from all districts.

Q. Get their age and category too. That is important.

By Mr. Marshall:

Q. Colonel de Lalanne, have you made personal visits to these various districts in order to set up these divisional boards?—A. Not for the purpose of setting up the board. I have visited military districts 1 to 7, but I have not yet been able to visit the western ones; but not for the purpose of setting up the board.

Q. You have not done any travelling in connection with this work?—A. Yes, I have visited the districts 1 to 7 but more in connection with the administration of the work rather than the setting up of it. This system was set up before I came to Ottawa, before I had any connection with it.

THE CHAIRMAN: Continue, Colonel, please.

THE WITNESS: I have divided the duties of the board. The main matters with which we are concerned are broken down into twelve items. The first is unit financial statements, which I have already mentioned, which come in monthly for active and semi-annually for reserve. What we do is:—

1. Unit Financial Statements—

(a) Receive and examine statements of accounts of all messes and institutes of all units and formations in Canada, Newfoundland and Jamaica including training centres, depots, internment camps, etc.

For active units—monthly.

For reserve units—half-yearly.

(Also upon each change in command.)

(b) Conduct correspondence thereon and compile statistics therefrom, particularly as regards canteens, i.e., volume of business, profits earned, dispositions, etc.

A considerable amount of work has been done in the interest of finding out exactly what happened to all funds of the reserve units which provided counter-part units in the active army. It is a very ticklish problem. As you know, it is the contention of the Department of Justice and the Judge Advocate-General that the unit which is on active service, while it may bear the same name as a reserve unit, is a new and distinct corps of the active militia and entirely

separate from the old. For several months now we have had one officer and one stenographer working almost entirely on endeavouring to find out exactly what disposition was made by each reserve unit of its funds when it was authorized to mobilize an active unit. We are getting that information very well in hand now; but with a great many of the units overseas and having gone overseas before the board was formed it might take some time to have all that information assembled. Once it is assembled we trace the funds into the trust fund or the contribution to the active unit or the amount left with the continuing reserve unit.

By Mr. Ross (Middlesex East):

Q. How does the situation look generally?—A. They have all done something different. Some is in trust, some given to the active unit to help them mobilize, to give them regimental funds. In a few instances all of the money may have remained with the reserve unit to look after the interests of the unit as a whole.

2. Funds Placed in Trust—

- (a) Supervise the audit of funds placed in trust by units (both active and reserve).
- (b) Record all trust agreements.
- (c) Ensure the continuity of funds of original N.P.A.M. units (now reserve) whether
 - (i) being used by reserve unit,
 - (ii) duly transferred in whole or in part to active counterpart,
 - (iii) placed in trust.

Then we receive from time to time the reports of the operations of the canteens administered by the four national organizations, of which you have heard considerable already.

3. The Four National Organizations—

- (a) Receive financial reports from the four national organizations covering operation of canteens administered by them under special agreements with the Crown and conduct negotiations and correspondence with the organizations on subjects pertaining to the accounts.
- (b) Receive cheques for the amounts of net profits from such operations and deposit same with the Receiver-General to the credit of the Central Trust Fund.
- (c) Maintain books of account and prepare periodical financial reports in connection therewith.
- (d) Trace 5 per cent rebates reported by the organizations as being paid by them, to the accounts of receiving unit or formation.
- (e) Attend meetings of representatives of the organizations with auxiliary services—when questions involving the accounts or operation of canteens are being discussed or considered.

I now come to inspection reports. Naturally any remarks or suggestions or recommendations which are made by the inspector general in regard to the administration of the funds of units, regimental or canteen or mess are passed to us for report or for further investigation.

4. Inspection Reports—

Receive inspection reports (both for active and reserve units), compare the comments of the inspector-general with regard to the audit of funds, and administration of messes and institutes with records of the board and conduct correspondence thereon where necessary.

The same procedure is followed in regard to courts of inquiry.

5. Courts of Inquiry—

Receive and study proceedings of courts of inquiry involving shortages of funds as passed to board by directorates of organization and personal services and prepare comments thereon—together with any financial statements which may be of assistance or interest to the above directorates.

Where any question of non-public funds are concerned we also attend meetings of the various committees that are required from time to time and make special investigations on various matters as we may be required by the adjutant-general.

6. Sundry Meetings, etc.

Attend meetings of various committees—when warned—such as:—

- (a) Mobilization and rehabilitation
- (b) Administration of special funds
- (c) Committee on inquiry into canteen funds (Macdonnell Committee)
- (d) War establishment

7. Special Investigations and Reports

(a) Upon complaints received by the minister or adjutant-general in connection with the operation of canteens, the handling of funds, distribution of profits, etc.

(b) Upon situations that arise such as the sale of cigarettes to civilians at the special reduced rates, prices of soft drinks due to increase rates of taxation, etc.

We have also endeavoured to improve the books and forms and standard of accounts. We have reduced some in size. I have referred to them in some other remarks. We have tried to get rid of the stereotyped forms and make them more suitable and convenient for use and for variation as may be required in different types and sizes of messes or canteens.

8. Improvements in books, forms and standard of accounts—

(a) Recommend revisions of and amendments to standard books and forms used in connection with accounts of messes and institutes as may from time to time seem desirable—including use of new forms and elimination of others.

(b) Study and advocate measures which will improve the standard of accounting generally such as the addition of an accounts officer and staff to the establishment of training centres.

We also undertook the revision of the former rules for the management of messes and institutes, which has now been completed.

9. Amendments—Regulations—

Study and suggest amendments to provisions of R.M.M.I. and of K.R. (Can) as regards operation of messes and institutes and to bring them in line with wartime conditions and up-to-date accounting procedure and practice.

We receive "Audit Clearance" reports whenever a unit moves from one district to another; and when a unit proceeds overseas, this report also comes in and a copy is forwarded overseas to the regimental funds board so that they will be able to take up over there where we left off here, follow the balances and trace them into the new accounts overseas.

10. R.F.B. Overseas—

Cooperate with the R.F.B. overseas by forwarding:—

- (a) Audit clearance reports and final statements of account for units proceeding overseas.
- (b) Particulars of dividends, etc., forwarded by various formations in Canada to units proceeded overseas.

- (c) Correspondence regarding the composition of the board, their duties and methods of performing same, returns being received and the information therein, exchange of experience on certain matters, etc.

As I have already explained, the recommendations in regard to staffs of the districts are passed to us for approval from time to time.

11. *Appointment District Audit Officers and Cooperation with Districts—*

(a) Investigate and inquire into qualifications and experience of officers recommended for appointment as district audit officers and assistant district audit officers.

(b) Make periodical visits to districts to coordinate the work of the district audit officers and to study procedure followed in the various districts. Advice to audit officers in regard to new methods adopted in other districts and with respect to any problems or matters referred for ruling or comment.

We also investigate and report upon such other matters or inquiries in connection with operation of messes and institutes as may be referred to N.D.H.Q. by district officers commanding. I should like to file a copy of these instructions, sir.

Generally speaking the duties of the district audit officer follow along the same line as the board here with the exception that some of the investigations naturally are headquarters matters only. The revision of the book was a special matter. Generally speaking they would be much the same.

The CHAIRMAN: I presume the committee would like to have that on the record. It could be printed as an appendix.

Agreed to.

By Mr. Isnor:

Q. In the event of a unit proceeding overseas, what happens with regard to the balance of the fund? There is no transfer of funds?—A. To England, sir?

Q. Yes.—A. They take them with them; they arrange all that.

Q. The funds?—A. Each unit arranges its own financing, yes. If they want to know how best to do it we are very glad to advise them; but the units carry it into effect in the districts. As regards amounts to be taken, in case the question comes up later, we have been asked from time to time if there is any restriction or limit on what they may take overseas. In the earlier days quite a few of those questions came up. It was apparently intended to place some limit or restriction, but it is left now for the unit to work out with the district officer commanding what the appropriate amount would be. We very seldom receive any requests for advice as to how much they could take or how much they should not.

By Mr. Ross (Middlesex East):

Q. Each unit can use a system of bookkeeping of their own?—A. We require them to use the books that are provided, except that if some other system equally good is used and it is satisfactory to the district officer commanding, that is accepted.

Q. There is no uniform system laid down?—A. The ruling actually is that they must adopt a suitable double-entry bookkeeping system; and to assist them in that we provide certain books and in the regulations we require them to keep certain records. If they do not choose to keep them in the actual books that we provide they must get the information in some other way.

By Mr. Castleden:

Q. Have any recommendations gone forward in regard to reserve units with relation to the disposal of funds in case they are going active? I understand you are having some difficulty in regard to a lack of uniformity.—A. No; these regimental funds had been built up almost entirely by donations from friends

of the unit or by pay that has been waived by officers or other ranks of the unit; and it is pretty well left to the units themselves to dispose of them.

Q. I am speaking of the canteen fund.—A. The reserve units have practically no canteen funds. Perhaps I did not make it clear. Their funds are mostly mess funds and regimental funds. They have very little in the way of canteen funds except those earned at summer camps. Now they have more maybe because of the longer camps, but pre-war it was very little.

By Mr. Sanderson:

Q. Mr. Chairman, I should like to ask the Colonel if he can give the committee any information concerning the agreement with the Salvation Army in connection with canteens. I am told that the Salvation Army are drawing a certain amount of money for the services rendered; is that correct?—A. I will answer that in this way, sir. The canteens administered by the Salvation Army are operated under an agreement between the war services department of the Salvation Army and the Minister of National Defence on behalf of the crown. A copy of the agreement was filed on Tuesday by Colonel Cairns just at the end of the last meeting. That agreement stipulates that they will provide facilities (if humanly possibly) if they are so asked to do by the minister or his representative who is the director of auxiliary services. In other words, the director of auxiliary services is the representative of the Minister of National Defence for the purpose of administering that agreement.

By Mr. Marshall:

Q. The Salvation Army is governed by the same rules and regulations which govern the other four?—A. Yes, the four are the same, including the Y.M.C.A., the Knights of Columbus, and the Canadian Legion. In paragraph 8 of the original agreement, which was approved by order in council, they are permitted to deduct from the gross receipts for each canteen the cost of the goods sold. Probably I had better read it. Paragraph (d) reads:—

For the purpose of determining the net profit of such projects and services it is agreed that the cost of the following items only shall be deductible from gross receipts:

- (1) Cost of goods, including transportation.
- (2) Wages of personnel wholly and exclusively employed in canteens or similar projects.
- (3) Fuel, light and water, when not gratuitously provided.
- (4) Laundry of linen, uniforms, etc., used in canteens, etc.
- (5) Minor repairs and replacements, including replacements of crockery, cutlery, utensils, etc.
- (6) Fire insurance and bond premiums on staff (if carried).
- (7) An allowance of two per cent (2 per cent) on the gross receipts to cover overhead expenses, such as supervision, accounting, postage, etc.

The last section I read is the one that you probably had heard of, sir. That is all that they are permitted to deduct. Then they turn over to the local unit commander 5 per cent of the gross receipts; if there is anything left it is remitted to the Receiver-General to be deposited in the central fund, which we discussed at the earlier meeting.

By Mr. Sanderson:

Q. Mr. Chairman, I should like to ask the Colonel if he can give any information to the committee in regard to the arrangements or agreements that were made in the war from 1914 to 1918?—A. I am sorry, I have not that information.

Q. You have a record of that; somebody would have a record of that.—
A. I can probably find it; I will be very glad to inquire. I do not know whether there was an agreement made with the Y.M.C.A. and Salvation Army at that time.

Q. If there was no agreement made there will be nothing on file; if there was an agreement it should be on file.

The CHAIRMAN: I wonder, Colonel, if Mr. Dixon will have any information with respect to that.

Mr. DIXON: I do not think there is any information in the department, sir.

The WITNESS: I will make inquiries from the colonel in charge of the historical section. They will have a record, if there is such a record. If there is such a record I will be glad to get it for you from the director of historical records.

The CHAIRMAN: May I interrupt a minute, if you will be good enough to excuse me. I have to go, so I shall ask Mr. Blanchette, the vice-chairman, to take the chair.

The VICE-CHAIRMAN: I wish to thank you for the honour which you did me in electing me vice-chairman of this committee. This is the first opportunity I have had to thank you. Will the Colonel please proceed?

The WITNESS: Mr. Chairman, there is just one other point I might mention and that is that there was a secondary agreement which covered the canteens operated by the 39 reserve training centres during the time of the thirty-day period, and that agreement was much the same as this with the exception that the organizations were also permitted at the time to deduct the cost of films with a limit of \$6 a day in each centre. The canteens are now all operated under the one agreement on the same basis. I have prepared another memorandum on various other matters which I was asked to bring forward. Would you like me to read this? At the last meeting I filed copies of certain statements and reports in connection with the results of operations of canteens in Canada, Newfoundland and Iceland, and I understand that copies of these have been distributed to each member of the committee.

I am now filing certain statements and extracts from letters pertaining to operations overseas. An index to each of these sets of statements, etc., is attached to those which I now file.

At the close of the last meeting I also handed the secretary a list of books and forms which are provided for use by messes and canteens and specimens of which I have filed.

As regards the question of the rebate by N.A.A.F.I., Colonel Deacon has asked me to advise you that this is 6 per cent of the gross turnover and not 6 per cent of the gross profits as stated by him at the last meeting, subject to confirmation.

He also mentioned that at the time of his recent visit to Great Britain, the national organizations were operating 87 canteens, and that many of these had been in existence for a short time only.

It will be noted in the extract from the letter of 25th July, 1941, received from the senior officer, Canadian Military Headquarters, that at that date only 22 small canteens were operated by these organizations. He asked me to draw that to your attention to confirm his statement at the last meeting.

In perusing my files I have found a cable of 6th February, 1941, from Canadian Military Headquarters, part of which reads as follows:—

Part I. Present position is that N.A.A.F.I. alone operates canteens in recognized encampment areas and grants rebates 6 per cent gross turnover only to units using their canteens. The only Canadian units using N.A.A.F.I. are base units and second division. Units corps troops and first division are out of range of N.A.A.F.I. since move to operational

billets and have had to establish unit canteens generally on company basis. These entirely independent of N.A.A.F.I. who receive no share profits.

Part II. This profits private canteens for corps troops and first division and the N.A.A.F.I. rebate for base units and second division represent sole present source revenue for regimental funds and as is custom British army accrue to unit commanders for collective benefit soldier under supervision our regimental funds board.

Naturally changes will occur as the units are moved from one encampment area to another. Subsequently the national organization canteens apparently come into the picture.

It will be noted that I have not listed in statement No. 8 the number of canteens involved as the periods during which the different canteens were operated varied considerably in length; also the figures submitted are for the period up to and including the month of April, 1941, only. On the other hand, the figures for regimentally operated canteens as shown in statement No. 11 are a monthly average. It will of course be appreciated that as the strength of the army overseas increases, the total volume of business in all canteens will probably also increase but that the proportion applicable to N.A.A.F.I. and unit canteens will vary depending upon the relative number of units or troops stationed in encampment areas or in operational billets.

It has been suggested to me that all the members of the committee may not yet fully understand the different types of canteens operated in Canada and overseas and that probably it might be helpful if I made a short summation of my understanding of the situation.

In Canada there are three main types of canteens: Firstly, unit canteens—wet and dry—the administration of which is the responsibility of the commanding officer of the particular unit or station. In this instance all profits earned remain with the unit or station. Secondly, canteens (dry only) operated by the four national organizations under the special agreements with the Crown, copies of which agreements were filed by Lt.-Col. A. Cairns. Five per cent of the gross receipts of these canteens is paid over to the commanding officer of the unit or station served by such canteens and the net profits (if any) remitted to the Receiver General for deposit in the Central Trust Fund of the army, navy and air force canteens.

By Mr. Isnor:

Q. Are they combined profits, or are they shown separately?—A. Wet and dry?

Q. Yes.—A. Yes and no; sometimes yes and sometimes no.

Q. There is no uniform system of accounting?—A. No, all different, depending on where they are stationed. The money all goes into the same pot eventually and is used for the same purpose.

By Mr. Ross (Middlesex East):

Q. That information is not called for then in the system of bookkeeping?—A. We ask them to divide the revenue to let us see what the gross profits are; once they get to the expending of it we do not ask them to divide it.

By Mr. Isnor:

Q. Is the first thing of very much use? I think the other has some importance.—A. How the money is spent?

Q. No, the profit made from the wet and the dry.—A. We have that, sir. Once the money is earned we do not ask them if they have spent so much from wet as from dry.

Q. No.—A. We can only give a combined figure, I think, on that. I should like very much if you could give me some lead later on as to whether this is

information which the members of this committee probably would like to have; because we wondered for some time whether we were putting the units to a lot of trouble to give us information separately as to wet and dry canteens. We felt we should know the amount of beer sold in case we should be asked the question. Whether that extra work on the units should be kept up or not is something that we should like to know. If it is the feeling of the committee that they should like such information on record then we shall have the work continued.

By Mr. Ross (Middlesex East):

Q. There are reports in connection with the wet canteen and it should not be very difficult to get the information we want.—A. Sometimes they are combined and the wet is part of the dry. They have to divide the sales and purchases and that sort of thing. Personally speaking, as an accountant, it is not very difficult to make up that information, but they sometimes find in the unit that it is a little extra work.

Q. The revenue all goes into the one pot?—A. Yes, and they divide it on the statement.

By Mr. Isnor:

Q. I feel it is important but I do not know as to the views of the other members of the committee. I feel the public is much interested as to the profits and as a representative of part of the public I certainly would like to know as to the profits earned both dry and wet.

By the Vice-Chairman:

Q. Do you think because of the great importance of this that you could give us detailed information? If you could do that it would be very much appreciated by the committee.—A. I think it is already in these statements, sir. We have shown how it is broken down on statement No. 2 which was distributed at the last meeting.

Q. Wet?—A. Sales combined and broken down, wet and dry, and the gross profits combined and broken down, wet and dry, with the spread between selling prices and the cost.

By Mr. Castleden:

Q. With regard to the beer sold, would that be available too?—A. The wet sales as we show them will not necessarily be all beer. There will be some sales of cigarettes and the odd little commodity included. I am quite satisfied the figures we are giving you there, especially in the recent months, would be at least as much as the sales of beer if not more. I think that is a fair statement to make.

Thirdly, any other coffee bars, or small projects operated by the four national organizations or other voluntary organizations, citizens' committees, etc., no proportion of whose profits are paid over either to the units or to the central fund. Further particulars in regard to the operation of these could no doubt be furnished by the director of auxiliary services. Generally speaking I should imagine that probably the operation of these is at a loss. The revenue they take in is more than offset if there is any question of salaries paid. I do not receive any reports in connection with these except one organization which sends in lists from time to time for the coffee bars and that is passed to Colonel Deacon for approval. If they are developed into what is considered a canteen it is transferred to canteen status and it is included in the official reports which are sent in to me along with the other regular canteens.

By Mr. Isnor:

Q. Are there many of these?—A. I could not tell you; there must be a great many of them such as the I.O.D.E. and the Y.W.C.A. Many of these

organizations must have a lot of these little services, projects, coffee bars and that sort of thing.

Q. There are a great many in Halifax and they are doing good work.—

A. At hostels too. I do not know about that.

Overseas there are also three types of canteens. Firstly, regimentally operated canteens (both wet and dry) where the units are out of range of N.A.A.F.I., these being operated in a manner similar to those in Canada.

Secondly, N.A.A.F.I. canteens (both wet and dry) operated in recognized encampment areas. Six per cent of gross turnover is paid to the units using such canteens and presumably if there are any further profits after a final accounting is made, Canada will receive a share in such profits. It has been reported that a draft agreement is in course of preparation.

By Mr. Brooks:

Q. Have we any representative on the audit board in Great Britain?—

A. Not to my knowledge. I think I can safely say no, but I would rather not. They issue a public statement. I have a copy of the statement for the first year of the war, and the result of the operations, I think, showed a huge loss. It is a public company and the board consists of some ten or twelve people with a senior officer from each of the services in Great Britain. This is a British service (not Canadian). Thirdly, the national organization canteens (dry only), the operation of which has been explained by Colonel Deacon. He has mentioned that up until the present time no cash payments have been made to the units concerned but that any profits earned have been used to provide additional comforts and facilities for the troops. He has also explained that many of these are "mobile canteens."

As regards the surplus in unit canteens in Canada as at 31st December, 1941, namely, \$344,341.93 (Statement No. 1), I was asked to report on the extent to which this was represented by cash. According to my records, there was \$574,917.34 in cash on hand and in bank and \$226,258.19 in inventories as at that date. I have not kept a running record of the total of the accounts payable as at the end of each month but would consider that the greater part of the cash would be required to pay such accounts.

A considerable portion of the spread between surplus and inventories would be in equipment which had not yet been written off in full. Under new regulations recently issued we should be able within a month or two to know exactly the amount of liquid surplus as separate from that invested in equipment. We have adopted policies by which the canteens and messes should build up sufficient surpluses—as available—to pay off their debts at the time of any sudden and quick move without having to resort to sacrificing their inventories. In other words, we like the cash and accounts receivable (in the messes) to be sufficient to meet all liabilities on any occasion. We insist that they pay for their goods before they move or make provision for payment. This shows up clearly in the Audit Clearance Report.

By Mr. Isnor:

Q. How about the capital expenditure?—A. That is being very much discouraged in recent months. There was quite a long circular issued in that connection about two or three months ago.

Q. You like to have liquid assets to take care of your liabilities, is that it?—A. Yes. We do not approve of expenses for capital where it means attachment to permanent buildings either owned by the government or otherwise. We do not object to reasonable expenditures or expenses for capital for such items as washing machines or anything else like that that may be used for the health of the troops or any small articles of equipment that they may want in the kitchen that would not ordinarily be provided from public funds. That is the basis we go on.

By Mr. Castleden:

Q. Sometimes they buy a moving picture projector later on. You are not advocating or encouraging that?—A. That is movable. That could be carried with them. I do not know of any such installation. If it was a reasonable expense as compared with the earnings of the canteen, I do not think that we would object to it strenuously, if the D.O.C. thought it was needed or there was no other service provided. But that moving picture question is supposed to be provided through the operations of the auxiliary service organizations, so it never occurred to me that they would be spending money on that.

Then on the question of books, as regards the specimen books and forms, I have filed these to show the type of record provided for use by unit messes and canteens. That covers your question, Mr. Ross. They have been simplified a bit.

The VICE-CHAIRMAN: I might say these books and forms have been filed and they are at the disposal of any member of the committee.

The WITNESS: I might say that I have adopted the policy of reducing to a minimum the number of reports and returns required to be submitted. For instance, form M.F.D. 923 (Monthly Statement) has been revised so as to be an all-inclusive return and the use of the former covering report on M.F.B. 303 used for boards of inquiry, etc., is no longer required.

Books have been reduced in size and simplified in design and in many instances the stereotyped printing at the head of each column has been eliminated so as to leave more blank columns for use as may be found most suitable for the particular mess, canteen or other fund. Lighter coverings are also being used for most of the books. I am pleased to report that considerable economy has been effected as a result of these policies.

Statements submitted by the national organizations are now prepared more or less in the same form and give the particulars referred to in paragraph 8 of the special agreement which I have read.

The VICE-CHAIRMAN: Are there any further questions to be asked of Colonel de Lalanne? If not, I think I am expressing the wish of the committee in thanking Colonel de Lalanne very much for the different submissions which he has given us from time to time during our sittings. Undoubtedly these must have involved a lot of work in addition to his regular work. I am sure the committee appreciates very much your cooperation, Colonel de Lalanne.

The WITNESS: Thank you very much, Mr. Chairman.

The Witness retired.

The VICE-CHAIRMAN: Next, I understand, we are to hear from Captain Cossette of the navy. I might say that the full title of Captain Cossette is Paymaster Captain J. O. Cossette, Deputy Judge Advocate of the Fleet.

Paymaster Captain J. O. COSSETTE called.

The WITNESS: Mr. Chairman and honourable members, I have prepared a short brief here to show you what canteen organizations are in operation in the navy. With your permission, I will read this short brief:

ROYAL CANADIAN NAVY CANTEENS—ORGANIZATION AND OPERATION

Canteens in the Royal Canadian Navy are organized and operated along the same lines as similar canteens in the Royal Navy.

In the Royal Navy there are three systems of canteens in operation i.e. (1) navy, army and air force institute operated, (2) tenant operated, (3) service operated.

When the Royal Canadian Navy was organized in 1910 the service system of operation was chosen as best suited to our needs. The service system of canteens comprises operation by the ratings themselves without any government liability except to provide, free of charge, the limited space required.

Safeguards for the proper operation and administration of canteens and funds belonging thereto, are provided by Kings Regulations and Admiralty Instructions which are applicable to the Royal Canadian Navy in that regard. These regulations provide as follows:—

The establishment of a governing committee consisting of the executive officer who acts *ex officio* as president; a lieutenant commander or senior lieutenant as vice-president; the accountant officer or such officer of his department as he may detail with the captain's approval as treasurer; a commissioned officer as secretary; together with such representatives of the ship's company as may be arranged, care being taken that messes consisting of ratings other than chief petty officers, petty officers, and non-commissioned officers are adequately represented.

To enable canteens to organize, an advance of government funds not exceeding \$10 per head of the ship's company may be made subject to refund over a period not more than 18 months from the date of the loan. The regulations require that canteen stocks be insured against all losses. The commanding officer is responsible for the proper operation of canteens and is required to exercise careful supervision. Periodical stock taking and audit is required as is also periodical medical inspection. The net profits after all expenses of operation are paid, are available for the following purposes subject to the approval of the canteen committee:—

1. Provision of sports equipment and other gear not provided by the service for the well being and entertainment of the ship's company.
2. Charitable donations to naval personnel or ex-naval personnel of the ship's company or their dependants in distress.
3. In exceptional circumstances for loans to naval personnel to tide them over periods of financial stress.
4. For charitable donations to institutions whose activities are to the benefit of the service in general, such as the Red Cross, etc.
5. For investment in dominion government securities as a reserve for future use.

The captain has the right to veto any proposed disposal of funds which in his opinion would be subversive to discipline and otherwise improper.

The principle has always been held that as service canteens are organized and operated by ship's company any profits should rightly be available for the benefit of the ship's company and that control and management of the canteen, should be free from any official interference, subject only to such limitations as are imposed by the regulations in respect to the captain's control. No departmental records of canteen operations are, therefore, maintained, but the regulations require maintenance of proper local records, audits, etc.

Shore canteens at Halifax, Sydney, Saint John, N.B. and Esquimalt are, under war conditions, fairly large. A report on their operation containing statistical information is being obtained for the information of the committee of the House of Commons. Canteens in ships are small, catering to personnel ranging from 302 in armed merchant cruisers, down to 22 in patrol boats. The profits in ships are normally barely sufficient to meet demands for recreational or benevolent requirements of the ship's company. For obvious reasons due to disposition of ships on war service, it is not expedient to require these ships to submit statements with respect to these small canteens. No auxiliary canteens are operated on naval property, except at St. Johns, Newfoundland. At Halifax, however, the auxiliary service canteen operated outside naval premises is

patronized by Canadian naval and other naval personnel, and 50 per cent of the 5 per cent of gross receipts distributable to units, has been assigned to Halifax naval organization. The naval organization at Halifax has not received its quota, but it is understood that the sum of \$1,060.50 being the naval share of gross receipts has been deposited with the Receiver General. This sum rightly belongs to the Halifax naval organization.

The Naval Board have given careful consideration to the canteen question and are unanimous in their recommendation that the present system of service canteen organization and administration be not disturbed for the following reasons:—

1. Naval canteens operated by the ratings themselves engender a spirit of loyalty to their ship's organization which promotes the patronizing of the service canteen, and thereby keeps the ratings within naval premises, where disciplinary control can best be maintained.
2. The granting of an active voice in canteen administration gives the ship's company assurance that they are a working and active part of the organization and thereby maintains morale and esprit de corps.
3. A voice in the disposal of funds for charitable purposes engenders a spirit of co-operation in the ship's company, which enables each to be interested in and to assist others in trouble, thereby assisting in the development of the brotherhood spirit in ship's companies. All this service interest as a result of the system of operation of canteens would disappear were they to be operated without any voice or control from ship's company."

The VICE-CHAIRMAN: Are there any questions to be asked of Captain Cossette?

By Mr. Cruickshank:

Q. What happens if a boat goes down? What happens to the funds?—

A. The funds go with the boat.

Q. It is not made up?—A. No. The stock only is insured. The cash goes. It is just the same when they carry government funds. It is a total loss.

By Mr. Castleden:

Q. In general, what representation is there on these committees of the ordinary ratings, the seamen themselves and non-commissioned ranks?—

A. A member of each branch of the ship's company. A ship's company is divided into various branches. We have the seamen's branch, the engine room branch, the artisan's branch, the accountant branch, and so on. Each one of these branches elect one of their representatives on the committee.

Q. But the captain has the power of veto over anything which may be decided with regard to the disposal of the funds?—A. Yes. If they want to spend some funds on something which the captain sees would serve no useful purpose, or if they want to throw their money away, he can absolutely veto anything that the committee might suggest.

Q. It is not likely that the committee would do that.—A. It has happened.

Q. I would take from what you have said that they sell goods in the canteen at a fairly low profit so that the men get the benefit from the low price of the goods rather than from any profits?—A. It is very low. The profit is very small.

Q. Could you give me any idea about what it is?—A. We have not received the figures yet. But the last I heard, from 1910—and it is a long time—up to last December, I think, the profits invested were about \$10,000.

By Mr. Marshall:

Q. Have you a board similar to the one which operates in the army?—

A. Over here? No. We do not interfere with the canteens at all.

Q. No. You misunderstood me. Have you a board of your own which functions in a similar manner to the board which has been set up and which functions on behalf of the army?—A. At headquarters here?

Q. Yes.—A. No, we have not. It is absolutely local control.

By Mr. Cruickshank:

Q. There is no audit at all from headquarters?—A. No audit from headquarters. It is audited locally and they send us the audits, or a copy of the audits.

By Mr. Marshall:

Q. You have profits from the operation of your various canteens, have you not?—A. Yes, definitely.

Q. What is the disposition of them?—A. By the committee, for the well-being of the ship's company.

Q. In connection with the committee that was set up under P.C. 7520, I think it was, the second question they were to study was whether there should be one central fund or three; that is, whether there should be one for each service.—A. Yes.

Q. What is the attitude of the navy in connection with that?—A. The attitude of the navy is that each service should have its own separate benevolent fund. As a matter of fact, we have prepared a draft for the organization of a benevolent fund for the navy—but so far it has not been approved—it is very much on the same lines as the Royal Benevolent Fund existing in the Royal Navy.

Q. So that you do not agree with the conclusion arrived at by this special committee?—A. No.

Q. You do not accept their findings that there should be one central fund?—A. At least, we do not like the idea. As to accepting their findings, I suppose we would have to.

By Mr. Brooks:

Q. Is there a wet and dry canteen?—A. On shore, yes; on the ships, no. If you gentlemen have seen destroyers, you will find that most of a destroyer is machinery. The living quarters for the ship's company are very cramped. Therefore, the canteen on a destroyer will be about the size of this first table here—I mean this first section here (indicating), just enough room for the server to get in and to practically turn around to the shelf and serve the various packages of cigarettes, chocolate bars, spools of cotton, needles, buttons and so on that the men may require at a moment's notice.

Q. They would have to carry a very large stock?—A. Well, we provide room below to carry the bulk of the stock. But that also is very limited.

Q. Yes, I should think so.

By Mr. Marshall:

Q. In the light of the fact that the navy is increasing in size all the time, do you not think it would be wise to set up a board similar to the one which operates on behalf of the army?—A. Yes. With the increase in the navy, I think that a board will be required pretty soon.

Q. You intend to set up such a board?—A. If possible, yes. I think it will be a good thing to have a board; that is, a controlling board here.

By Mr. Cruickshank:

Q. What would be its function? If the money is kept in each ship, what good would a headquarters' committee be?—A. To make regulations as to the disposal of the funds, a uniform system of accounting, how to invest their money.

Q. I do not quite follow that when you say, "How to invest their money." I understood that each ship kept its own money.—A. They do now. But if we have a central board here, there is no doubt about it that regulations would follow which are different to the present regulations, which state that no large funds are to be accumulated.

Q. It has been a pretty good navy so far. Do you think it would be advisable to change the system?—A. Personally, I do not think so.

Q. I agree with you.—A. But if you will permit me, I might read a paragraph of the regulations which we work on, which might be very interesting.

Mr. ROSS (*Middlesex*): The bulk of the profits are small.

Mr. CRUICKSHANK: Yes.

The WITNESS: Take a patrol ship with twenty-two men on board. When they are three days out, the stock is exhausted.

By Mr. Brooks:

Q. What is the principle in the British navy?—A. Exactly the same. I am going to read from the Kings Regulations and Admiralty Instructions—that is the British navy regulation which is applicable to us. It is article 630 (4):—

Ship's Fund:—

The ship's fund, which is formed by payment of rebate received from the Army, Navy and Air Force Institutes, or of rent from the canteen tenant in ships in which the canteen is conducted on the tenant system, is primarily intended to meet the cost of recreation for the ship's company, also for the benevolent purposes connected with the ship; and the captain is to satisfy himself that a sufficient allowance is made for these objects, due regard being had to the proportion of the ship's company who are able to take part in any particular form of recreation.

I might add here that the captain has to be careful to see that money from the profit is not expended on any one type of recreation alone; that is, he will not buy all baseball outfits when a lot of the people cannot play the game. He has to be careful that the funds are distributed for the benefit for the whole of the ship's company. The article continues:—

In all other respects the committee is to have full discretion as regards expenditure, subject only to the right of veto on the part of the captain of any proposed expenditure which appears to him subversive of discipline or otherwise improper. The circumstances in which such veto is exercised are to be reported by the captain to the commander-in-chief or senior officer. The accumulation of a large surplus is not permitted, and any balance remaining after making allowance for probable current expenses should be returned to the messes periodically in proportion to their canteen bills, or it may be disposed of as donations to charitable funds or institutions.

Then, it goes further on the other side—and this is just a small extract—in article 632 (4):—

In all other respects the administration of the canteen is to be assimilated as closely as possible to that laid down for canteens conducted by the Navy, Army and Air Force Institutes. In particular, a discount on the canteen's mess bills is not to be permitted. Reports on the working of the canteen are to be forwarded to the Director of Victualling half-yearly on the 1st of April and the 1st of October.

For the Director of Victualling we use the Director of Naval Stores at Ottawa.

By Mr. Gillis:

Q. What would be considered an expenditure subversive to discipline?—A. Perhaps to buy games which would lead the ship's company to gamble, such as crown and anchor, roulette or various things like that. That would be subversive to discipline and, therefore, the captain would not allow an expenditure to be made to purchase those games.

Mr. CRUICKSHANK: Surely a sailor would not play any game like that!

The WITNESS: Well, they are not bought for them. It is generally a personal purchase.

By Mr. Ross (Middlesex):

Q. There was something there in your formal presentation about \$1,060.50 that had not as yet been turned over to the navy.—A. We explained it was turned over to the Receiver General.

Q. That is less than 50 per cent?—A. Less than the 50 per cent of the 5 per cent of gross receipts distributable to units, from the four auxiliary organizations.

Q. For what period of time? That is what I am trying to get.—A. I am afraid I cannot tell you that. All we were supplied with were the figures.

Q. They just set out the bald figures?—A. Yes. We have been told that this amount had been deposited with the Receiver General. This comes in direct from the organization or central committee of the army.

By Mr. Cruickshank:

Q. Are you not going to get that money back?—A. We are trying to at the present time, but so far we have not succeeded.

Mr. CRUICKSHANK: You had better get this committee to see that you get it back.

Mr. Ross (*Middlesex*): I think some information should be forthcoming, some detailed information, with regard to that sum.

The WITNESS: As far as the navy is concerned, we have not been connected with the auxiliary services at all. This is entirely new. It is just beginning to come in to us. We have only one organization functioning, and they are only starting out, at St. John's Newfoundland. Otherwise, we have none of the four organizations serving on any naval premises. They are all outside naval premises, although they are frequented by naval personnel a great deal. That is the idea of giving us 50 per cent of the 5 per cent, because our personnel based on Halifax patronize those four organizations. I understand also that there is a move on foot to establish one at Esquimalt, but whether it will be in naval premises or outside naval premises has not been determined yet.

By Mr. Ross (Middlesex):

Q. How are payments of that character arrived at? Is there any way of checking that?—A. We cannot tell what persons frequent those organizations. I mean, they are on leave at that time. They are outside of our jurisdiction.

By Mr. Castleden:

Q. How will you decide upon the distribution of it, then?—A. From the organization, you mean or from our own distribution?

Q. No. When you receive this amount?—A. We have no means of telling except on the gross amount of 5 per cent—50 per cent of 5 per cent.

Q. That shall come to you?—A. Yes. If we can have the total of the 5 per cent distributed to the forces, then we can find out what our share is by taking 50 per cent of it.

By Mr. Marshall:

Q. If you have a central board set up, do you not think the board would see to these things?—A. Yes.

Q. And get them straightened out?—A. Yes.

Q. That is the object of having a central board, to straighten these things out on behalf of the navy.—A. Yes. On the other hand, with the navy as is at the present time, it is not very large; and the board should not consist of a very large number. I would say a member or two would be quite sufficient to undertake this work, and only as a side-line.

By Mr. Ross (Middlesex):

Q. I think the ratings might have some very disturbing thoughts in regard to what you might term a careless way of doing business, a system of business that seems to have no uniformity about it.—A. In all ships and in shore canteens the system is entirely the same all the way through.

By Mr. Marshall:

Q. If you had a central audit board they would supervise all that?—A. Exactly.

Q. That would ease the minds of the ratings in the service?—A. I do not think the ratings are worried at all, because they are dealing with their own money. Perhaps they might resent the fact of having a central board to tell them what to do.

Mr. CRUICKSHANK: That is what I have always heard about the navy, that they were entirely satisfied.

By Mr. Marshall:

Q. I am not advocating a central board to tell them what to do, but rather to supervise what is going on, to look after the funds and see that there is no skulduggery in connection with the operations of the canteen?—A. Each ship has a commanding officer and some of them are very senior officers. I think we should give them a certain amount of leeway. If they are capable of taking care of a ship costing around two million dollars and are responsible for a couple of hundred lives at sea for weeks, I think they might undertake the care of a couple of hundred dollars.

Q. That would not be the purpose of the audit board at all. I think we are talking from different viewpoints. I am saying that the audit board would be a very satisfactory thing for the navy to have?—A. Well, we have quarterly audits. These accounts are audited quarterly. The stock is taken by the men themselves, with an officer supervising. The men actually take their own stock, the inventory. They have the cost price and the selling price, and they determine the profit that should be made. If the profit is not there, they inquire into it immediately. Then those statements are passed to be audited by an entirely different personnel, including the accountant officer of the ship who is a trained accountant; and he may have one or two other officers and perhaps one or two representatives of the ship's company to audit the accounts for that particular quarter. The whole thing is passed on to the captain for approval. If he is not satisfied that the audit is right, he takes steps to find out where it is wrong. The thing has been going on since 1910. We have had no trouble so far, and I do not anticipate any.

By Mr. Cruickshank:

Q. Leave them alone. If you get into any boards, you will get into plenty of trouble.—A. That is what I am afraid of. A board of one official or two here at headquarters to sort of review the audits that have been made in various ships and shore establishments might be a good thing.

By Mr. Marshall:

Q. That is the very thing I have been suggesting.—A. It might be a good thing only for review.

By Mr. McLean:

Q. To what end?—A. Just a check; that is all.

By Mr. McCuaig:

Q. Is there not a difference between the revenue made by the navy and the revenue made in the army, because in the army there is close competition between sales in the camps and the sales of local stores in adjoining areas. Therefore, they could make a lower profit than the others?—A. It might be in canteens on shore where they have merchants on the outside of the wall. But in ships when they are on the high seas it does not matter at what price they sell.

Q. That is what I am pointing out. At sea you could sell at a lower profit.—A. Definitely. Some of the goods are duty free. In other words, the stock is put on board and the stores are sealed by the customs officer. As soon as the ship leaves the wharf, the seal can be broken and they can sell those articles at the duty free prices. When they come back, the customs officer comes on board and seals the stock remaining and then they go back to shore prices.

By Mr. Cruickshank:

Q. You are not allowed to tell us how many ships you have. We have two hundred and seventy two "dollar-a-year men". I suggest that you be given one for each boat and take him out.—A. I will go so far as to say at the present time we have three hundred ships but I will not say there are canteens on every one of them.

By the Vice-Chairman:

Q. In connection with this question which has been asked with reference to the amount of profits being made by the different organizations, I think the honourable members have a report here as of the 8th of May last. The total remittances deposited with the Receiver General of Canada for the army are \$179,168.01 and the navy allocation totals \$1,951.27.—A. It must have been a further amount from the last figure which I got which amounted to \$1,060.50. It is possibly a further deposit which has been made since.

The VICE-CHAIRMAN: Any more questions?

Mr. CASTLEDEN: I have just one question in regard to that expenditure to determine how this money, when you receive your share, will be distributed amongst the various bodies.

The WITNESS: The senior naval officer of the station—

By Mr. Castleden:

Q. This will all go into the one station?—A. In Halifax, yes.

Q. The senior officer there will determine the distribution?—A. Yes, possibly between Sydney, Halifax, and Saint John, New Brunswick.

Q. That will go to that particular station?—A. Yes; it goes into a common fund and is spent with the rest for the benefit of the ship's company, for such things as baseballs, hockey sticks, footballs, anything that the department will not supply.

The VICE-CHAIRMAN: At our next meeting we shall have on the agenda, subject to any additions, Air Commodore Nairn, air member for accounts and finance, and Mr. A. J. Dixon. Is it the wish of the committee that we will adjourn now to the call of the chair?

The committee adjourned to the call of the chair.

APPENDIX "J"

18-19 GEORGE V

CHAP. 14

An Act respecting the disposal of certain Canteen Funds

[Assented to 11th June, 1928.]

Whereas by an Order in Council of the sixth day of September, one thousand nine hundred and nineteen there have been deposited with the Receiver-General of Canada, and kept in a special account, with interest at the usual Government rate, moneys which were accumulated during the war by certain Units of the Canadian Expeditionary Force in Canada, the Canadian Siberian Forces, and by the Forces stationed at St. Lucia, resulting from the profits of canteens and other like institutions operated by the several Units and Formations; and whereas the said Order in Council of the sixth day of September, one thousand nine hundred and nineteen, contains a provision that the moneys so deposited with the Receiver-General of Canada shall be subject to withdrawal upon the order of the Governor in Council from time to time as the final disposition thereof is decided upon; and whereas the Deputy Minister of Justice has advised that such moneys cannot be disposed of without the authority of the Parliament of Canada therefor; and whereas it is now desirable that such moneys be disposed of: Therefore, His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. This Act may be cited as *The Canteen Funds (Canada) Act*. Short title.

2. In this Act "Canteen Funds" shall mean the funds deposited with and held by the Receiver-General of Canada in a special account together with the interest thereon pursuant to the provisions of the Order in Council of the sixth day of September, one thousand nine hundred and nineteen, and "ex-member of the Forces" shall mean an ex-member of the Canadian Expeditionary Force or a member of the Royal Canadian Navy who served during the Great War. Definitions.
"Canteen Funds."
"Ex-member of the Forces"

3. Allotment of the Canteen Funds shall be made in the following manner:— Allotment of Funds.

(a) The sum of \$5,000 shall be held by the Receiver-General of Canada until the first day of April, 1930, and kept in a special account and credited with interest at the usual Government rate and shall be used for the purposes of paying any claims and accounts which may be outstanding against any of the several Units and Formations which had accumulated the said Canteen Funds. Any withdrawals for the purpose of the foregoing from the moneys so held by the Receiver-General of Canada shall be upon the authority of the Governor in Council, and any balance remaining on the first day of April, 1930, shall be disposed of in such manner as the Governor in Council may direct. Outstanding accounts
Disposal of balance.

Ten
provincial
allotments.

- (b) The residue shall be divided into ten different allotments in the proportion indicated by the percentages for the provinces or territory as stated in section six, paragraph (e), of *The Canteen Funds Act*, chapter thirty-four of the statutes of 1925.

Administra-
tion by
provincial
Board of
Trustees.

4. The portion of the Canteen Funds so allotted to each province shall be handed over to the provincial Board of Trustees of the province concerned or Board of Trustees for the Yukon Territory appointed under the provisions of *The Canteen Funds Act*, chapter thirty-four of the statutes of 1925, and each Board of Trustees shall dispose of the moneys so handed over independently from the funds administered by each such Board under the said *The Canteen Funds Act*, and, in the following manner:—

Duties of
provincial
Board.

- (a) Each Board of Trustees shall receive and hold the portion of the Canteen Funds allotted to it, and apply the moneys so held for the benefit of ex-members of the Forces and the dependents of such ex-members;
- (b) It shall be the duty of each such Board of Trustees to ascertain by such method as may appear to it to be most feasible the manner in which the moneys shall be applied, so as to give effect to the foregoing, but without restricting the powers of each Board in determining the manner in which it shall dispose of the moneys held by it. The following general principles shall govern in the distribution or apportionment by each such Board:—

General
principles of
allotment.

(1) Any plans formulated should be based on the assumption that there will be prospective beneficiaries for several years to come.

(2) That any use of the provincial allotment for relief purposes should be limited to the class of case for which no relief is then available from governmental sources.

Regulations.

5. The Governor in Council may make such regulations as are necessary to carry out and give effect to the purpose and intention of this Act.

Expenses
charged to
allotment.

6. The expense incurred by each Board of Trustees in connection with its administration of the portion of Canteen Funds allotted to it shall be a charge against such allotment.

Reports to
Minister.

7. A report shall be made as of the thirty-first day of March in each year to the Minister of Pensions and National Health by each Board of Trustees setting forth the work accomplished during the preceding twelve months, the amount expended, and the balance in hand.

15-16 GEORGE V.

CHAP. 34.

An Act respecting the disposal of the Canteen Funds.

[Assented to 27th June, 1925.]

Whereas certain profits have accumulated from the operation of canteens during the late war and from other sources; and whereas more particularly these profits represent (i) the share allotted to the Canadian Expeditionary Force of the profits made by the operation of canteens under the control of the British War Office, (ii) the profits made by the operation of canteens under the control of various units of the Canadian Expeditionary Force overseas, (iii) the share of profits allotted to the Government of Canada for division among Canadian war charities by the War Office Cinematograph Committee arising from the profits made by such Committee from the exhibition of pictures taken in the area of active operations, (iv) the share allotted to the Royal Canadian Navy by the Admiralty; and whereas, there is now in the hands of the Receiver-General for Canada the sum of \$2,350,000 more or less, representing the said allotments and profits together with interest thereon; and whereas it is desirable that distribution of these amounts be made so that ex-members of the forces and their dependents may benefit thereby: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:—

1. This Act may be cited as *The Canteen Funds Act*. Short title.
2. In this Act "Canteen Funds" shall mean the funds referred to in this Act and "ex-member of the forces" shall mean an ex-member of the Canadian Expeditionary Force who saw service in France or England in the late war, or a member of the Royal Canadian Navy who served overseas. "Canteen Funds."
"Ex-member of the forces."
3. There may be appointed by the Governor in Council a Board of Trustees for the Yukon Territory consisting of three members who shall serve without remuneration for the period of three years and shall be eligible for reappointment. Board of Trustees.
4. The Lieutenant-Governor in Council of a province may appoint a Board of Trustees for such province consisting of five members in the case of Ontario and three members in the case of each of the other provinces, who shall serve without remuneration for the period of three years and shall be eligible for reappointment. Provincial Boards of Trustees.
5. A majority of the members of each provincial Board of Trustees shall be ex-members of the forces, who have seen service overseas. Majority to be ex-members of forces.
6. Allotment of the Canteen Funds shall be made in the following manner:— Allotment of Funds.

Outstanding
accounts.

- (a) The sum of \$20,000 shall be held by the Receiver-General for Canada for the payment of any outstanding accounts or claims in respect of the units, the funds of which are included in the Canteen Funds, provided that should any portion of this amount remain unexpended on the first day of July, 1929, such unexpended portion shall be disposed of as set forth in paragraph (e) of this section;

Reimburse-
ment to the
Disablement
Fund.

- (b) The sum of fifteen thousand dollars shall be paid to the Disablement Fund in reimbursement of a loan made by the Trustee of the said Fund to the Dominion Veterans' Alliance;

United
Services
Fund.

- (c) The sum of \$50,000 shall be allotted and paid to the United Services Fund of Great Britain and the sum of \$50,000 shall be allotted and paid to the American Red Cross Association to be used by the said Fund and Association respectively in such manner from time to time as the said Fund or Association may deem proper for assistance in specially meritorious cases of ex-members of the forces and their dependents, resident in the United Kingdom or the United States of America, as the case may be, and who are in genuine distress, provided that if the said Fund or Association is unable to accept the said allotments on the conditions herein set forth the Governor in Council may make such other disposition thereof as may be deemed advisable;

High
Commis-
sioner for
relief of
distress.

- (d) Any unexpended balance now in the hands of the High Commissioner for Canada in England shall be retained by him and shall be utilized by him for the relief of distressed ex-members of the forces in the United Kingdom;

Ten
provincial
allotments.

- (e) The residue shall be divided into ten different allotments in the proportion indicated by the following percentages for the provinces or territory hereunder specified:—

	Per cent.
Alberta	7.752
British Columbia	10.944
Manitoba	10.654
New Brunswick	4.072
Nova Scotia	5.549
Ontario	41.237
Prince Edward Island .....	.739
Quebec	11.622
Saskatchewan	7.162
Yukon Territory .....	.269

and on appointment as herein provided of a provincial Board of Trustees, or of a Board of Trustees for the Yukon Territory, the provincial, or Yukon allotment shall immediately be paid to such Board.

Regulations.

7. The Governor in Council may make such regulations as may be deemed necessary for the guidance and direction of the Board of Trustees for the Yukon Territory, and the Lieutenant-Governor in Council of any province may make such regulations as may be deemed necessary for the guidance and direction of the provincial Board of Trustees, provided that the duties of the provincial Board

of Trustees and the Board of Trustees for the Yukon Territory shall be to receive and hold the provincial allotment, or the Yukon allotment, as the case may be, and to ascertain by such method as may appear to them most feasible the wishes of those most interested and residing in the province or in the Yukon Territory, concerning the disposition of such allotment, and following this, to determine the object to which the allotment shall be devoted, and, as far as necessary, to administer same for such object, or provide for such administration by others and to do such other things as may be indicated in the Order in Council appointing them.

Duties of provincial Board of Trustees.

8. The expenses incurred by the Board of Trustees for the Yukon Territory, and any provincial Board of Trustees in connection with the said trust shall be a charge on the allotment.

Expenses charged to allotment.

9. Any vacancy in the membership of the Board of Trustees for the Yukon Territory, due to death, or resignation may be filled by the Governor in Council, and any vacancy similarly caused in the membership of a provincial Board of Trustees may be filled by the Lieutenant-Governor in Council.

Vacancies.

10. Without limiting the powers hereby conferred on the Governor in Council, or on the Lieutenant-Governors in Council, the following general principles shall govern any distribution or apportionment of the amounts allotted to the Board of Trustees for the Yukon Territory or to the said provincial Boards of Trustees:—

General principles of allotment.

- (a) Any plans formulated should be based on the assumption that there will be prospective beneficiaries for several years to come;
- (b) Any use of the fund for relief purposes should be limited to the class of case for which no relief is then available from governmental sources, and in particular to specially meritorious cases;
- (c) If the provision of scholarships in schools and universities is undertaken for specially promising children of ex-members of the forces or of members of the forces who have died, this should not necessarily be confined to the higher grades.

11. A report shall be made as of the thirty-first day of March in each year to the Minister of Soldiers' Civil Re-establishment by the Board of Trustees for the Yukon Territory, by the provincial Boards of Trustees and by any other bodies, or organizations to whom allotment has been made, setting forth the work accomplished during the preceding twelve months, the amount expended and the balance in hand.

Reports to Minister.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277.

Thursday, May 28, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 11.30 o'clock a.m., Mr. W. Ross Macdonald (*Brantford City*), Chairman, presided.

Members present: Messrs. Abbott, Black (*Yukon*), Blanchette, Castleden, Cruickshank, Emmerson, Ferron, Isnor, Jackman, MacKenzie (*Neepawa*), Mackenzie (*Vancouver Centre*), McCuaig, Marshall, Ross (*Middlesex East*), Sanderson, Wright.

In attendance: Group Captain J. M. Murray, Deputy Air Member for Accounts and Finance with Flight-Lieutenant J. M. Wynn, R.C.A.F.; Paymaster Captain J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet; Lt.-Col. J. A. de Lalanne, President of the Regimental Funds Board with Capt. Georges Garneau; Lt.-Col. A. Cairns, Auxiliary Services (Army); Mr. Robert England, Executive Secretary, General Advisory Committee on Rehabilitation; Mr. A. J. Dixon, Chairman of Subcommittee on the Administration of Special Funds with Mr. A. M. Wright, Director of Rehabilitation, Department of Pensions and National Health.

The chairman informed the committee that a representative from the Royal Canadian Air Force was present and it was agreed to call the witness.

Group Captain J. M. Murray, Deputy Air Member for Accounts and Finance, R.C.A.F., was called. The witness was assisted by Flight-Lieutenant J. M. Wynn. He gave an outline of the administration and control of Canteen Funds within the Royal Canadian Air Force, and was examined at length thereon.

The witness in the course of his deposition filed a statement showing the amount of funds held by the various stations in the commands of the R.C.A.F., and stated he would supply copies of the said statement to be distributed to all the members. His examination was adjourned until the next sitting.

On the suggestion of Mr. Cruickshank, a member of the committee, it was agreed that Mr. A. J. Apedaile and Mr. H. J. Norman of the Department of National Defence for Air be called to give evidence at some later date.

Mr. Cruickshank also suggested that representatives of the men in the three branches of the service be called before the committee at a later date to give their viewpoint on the subject matter of administration, control and disposition of Canteen Funds, such representatives to be chosen by the men themselves, and this was agreed to.

At 1.00 o'clock p.m., the committee adjourned to meet again at the call of the chair.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Room 277, May 28, 1942.

The Select Committee on Canteen Funds met at 11.30 o'clock a.m. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: Order, gentlemen. You will remember that at the last meeting it was suggested that we should have a representative of the Royal Canadian Air Force; and, to-day we have with us Group Captain J. M. Murray, Deputy Air Member for Accounts and Finance, R.C.A.F.

I will ask Group Captain Murray to come forward and address the committee.

Group Captain J. M. MURRAY, Deputy Air Member for Accounts and Finance, R.C.A.F., called:

The WITNESS: Mr. Chairman and gentlemen; Air Commodore Nairn asked me to present his compliments to the committee and say that he is sorry not to be able to be here to-day. He is still very busily engaged on the Air Training Conference, and he has instructed me to come along here and give evidence on his behalf. I have with me Flight Lieutenant Wynn, who has just returned from a tour of all our commands, and therefore is in a position to give you the very latest information with respect to the whole situation.

I have here, Mr. Chairman, a brief which I have prepared on the general outline of your organization, which I will read, if that is agreeable to you.

ROYAL CANADIAN AIR FORCE ORGANIZATION AND OPERATION OF CANTEENS

Before describing the organization of canteens in the Royal Canadian Air Force, may I respectfully draw to the attention of the committee certain conditions that exist which are peculiar to the R.C.A.F.

The R.C.A.F. has two functions: firstly, the training of aircrew and ancillary ground personnel in as large numbers as possible, secondly, the defence of Canada and adjacent territories.

Of necessity, many of the training schools and operational units are located at a considerable distance from the cities or any other centres of recreation. As trainees are at these units for as long as several months, and as a much greater number of staff is located there more or less indefinitely, facilities must be provided for the benefit of the personnel for recreational and athletic purposes, which usually must be financed from non-public or canteen funds.

The "Station Fund" of each R.C.A.F. unit, consolidates the operation of the various wet and dry canteens. Canteens at all units are Service operated, with the exception of the Y.M.C.A. canteen at No. 1 Manning Depot, Toronto (which will shortly be taken over by the R.C.A.F.). The civilian operated Elementary Flying Training Schools and Air Observers Schools control their own canteens, and as these schools are outside the direct control of the R.C.A.F., they are not considered in this review.

The purpose of R.C.A.F. canteens and other unit institutes is as stated in King's Regulations and Orders for the R.C.A.F., paragraph 1184, "to supply them (the personnel) with good articles at reasonable prices without in any way interfering with their right to resort to any other available shops or markets, and to organize and maintain the means available for their recreation and

amusement." It is further stated in Canadian Air Publication No. 122 "Rules for Management of messes and canteens," paragraphs 135, 136 and 138, "At each station or at camps of instruction, it is desirable, when local circumstances permit, that a canteen be established, designated the Station Canteen. Such canteens will be administered by a committee appointed by the Commanding Officer. The advantages of a canteen are—economy in employed personnel; greater purchasing power, with resultant preferred prices for larger quantities, and lower selling prices. Canteens are for the exclusive benefit and convenience of the airmen. The object of such are: To supply personnel with good articles at reasonable prices without in any way interfering with their rights to resort to any other available shops or markets. . . It is essential at all times, when authorizing purchases for the canteen, that consideration be given to the stocks carried by the retail merchants of adjoining towns and cities."

The profits which accrue in the station fund are disposed of in accordance with paragraph 140 of the same publication. "Profits may be expended on improving the amenities of institutes, or may be applied to any object which collectively benefits the airmen, such as sports, entertainments, pianos, billiard tables, radios, games, concerts, stationery, newspapers and the like, and on grants in aid of messing". One per cent of the gross sales of all canteens operated by the Royal Canadian Air Force for airmen, or in connection with Royal Canadian Air Force officers' or sergeants' messes may, with the concurrence of the committee concerned, be paid over to the Royal Canadian Air Force Benevolent Fund. "Profits are not to be applied to any of the following purposes—The provision of harmoniums and organs, church decorations, or anything connected with religious services or to charities or institutions of any kind (except such as are established for the benefit of the airmen or their families whilst serving in or on leaving the service), orderly rooms or office furniture, rubber stamps, other than for canteen purposes, loans to officers' or sergeants' messes, disallowance by the accountant officer, barrack damages, or in any way to relieve officers or other ranks of their personal responsibility for the irregular expenditure of stores or public funds." The general policy followed in the expenditure of surplus is to disburse as much as possible for the airmen's benefit without affecting the solidity of the Station Fund's financial position. Any large surpluses shown in balance sheets are represented mainly by fixed assets. In addition to the grants to the Benevolent Fund, which are made by almost all service units and civilian operated schools, some units set aside a fund usually amounting to from \$500 to \$1,000 for the purpose of making loans or grants to airmen for the purpose of emergencies, which disbursements are approved by the Commanding Officer. With the exception of the voluntary contributions to the benevolent fund, all profits are expended or retained on the particular units where they are earned.

Under an agreement with the Minister of National Defence, the Auxiliary Services, after paying operating expenses and supplying a part of the profits to the station to which a canteen belongs, turn the then net proceeds over to the Receiver General. At present, the amount so remitted by the Y.M.C.A. which, as mentioned above, operates a canteen at No. 1 Manning Depot, Toronto, is approximately \$30,000.00, which amount is in a fund held by the Receiver General.

The financial supervision of station funds is as follows:—

1. The junior accountant officer at the unit is responsible for the correct recording of all transactions, depositing receipts daily (where practicable) in a chartered bank, and for general supervision of financial operations.
2. An audit board consisting of two officers, one of which is an accountant officer other than the one above mentioned, carries out an audit of

station funds quarterly. It is responsible for seeing that regulations governing the audit of non-public funds are fully complied with as laid down in Canadian Air Publication No. 103 "non-public funds—audit procedure".

3. There is a non-public funds officer at each command headquarters. Problems in connection with non-public funds are referred to him and he makes periodical visits to the units, at which time he checks cash and reviews the system generally. Reports of the audit board are passed to him for examination and comments.
4. The command non-public fund officers finally submit the audited statements, together with their observations and the unit replies thereto, to the non-public funds accountant officer at Air Force headquarters, who consolidates and co-ordinates the information. Upon the results of this amalgamation he bases his general observations and instructions.

That, Mr. Chairman, is an outline of our procedure.

The CHAIRMAN: Do any members of the committee at this stage wish to ask Group Captain Murray any questions?

By Mr. Marshall:

Q. By whom is this audit board to which you refer appointed?—A. It is appointed by the Commanding Officer.

Q. Of the unit?—A. Of the unit.

Q. Is there a headquarters' audit board?—A. There is a headquarters' inspection by the command non-public funds officer.

Q. Can you give us a description of the set-up of that board?—A. It is not a board, it is a visit by the command officer; and he arrives at an unexpected time, he does not give notice of his arrival, and he checks the cash on hand and investigates the books in conjunction with the reports which he has received from the unit by mail; but there is no travelling board.

Q. Is this official stationed in Ottawa?—A. He is stationed at command headquarters. There is one in each command.

Q. He is a chartered accountant?—A. Yes.

By Mr. Wright:

Q. You stated that the civilian air training schools and the air observers schools do not come under your control; whose control are they under?—A. They are under the control of the company operating.

Q. Any profits made in them?—A. The schools have instructions that any profits made in these canteens are to be used for the benefit of the personnel.

Q. Any particular school where the profits are made?—A. Yes.

Q. You mentioned the sum of \$30,000 having been paid to the Receiver General of Canada?—A. Yes.

Q. As profits accruing from the Y.M.C.A.; what is your suggestion as to the disposition of that fund?—A. I would think that probably belongs to No. 1 Manning Depot.

Q. Should be transferred to the benevolent fund?—A. I would not think that it should be transferred to the benevolent fund necessarily at this stage; because, if we transfer profits to the benevolent fund now, we remove the incentive to economy on the stations in the use of their funds.

By Mr. Ross:

Q. What period of time does that \$30,000 cover?—A. That would cover two and a half years.

Q. But to how recently?—A. It includes up to recently, yes.

By Mr. Castleden:

Q. You stated that part of the profits from the Canadian Auxiliary Services were handed over to the Receiver General, I think you said that amounted to about \$30,000.—A. Yes.

Q. Is there any basis or any amount determined as to the portion of their gross sales or the portion of their net—some stated amount or percentage of the gross profits or the net profits handed over?—A. To the station?

Q. No to the Auditor General.—A. No. I think they do it the other way around. They give to the station I think 5 per cent of their operating profits.

Q. Five per cent of the net profits?—A. And the balance is given to the Receiver General.

By Mr. Cruickshank:

Q. Who audits the funds of the civilian training schools?—A. They belong, if any, to the civilian operated school; but they have instructions that they are not to accumulate profits at all.

Q. Is there any check made of that?—A. Yes, Mr. Apedaile, who is the financial adviser on civilian flying schools, keeps a check on that.

By Mr. Marshall:

Q. What is the spread in these canteens; I mean, are the goods sold at regular charges—at about the same as the prices in the retail stores in the vicinity?—A. So far as possible we sell at the retail prices outside.

Q. I have in mind cigarettes, for instance.—A. In the case of service personnel, they get an additional five cigarettes in their package.

By Mr. Ross:

Q. Is a detailed report available on the disposition of profits?—A. That can be produced, I believe, by Mr. Apedaile.

By Mr. Cruickshank:

Q. As I understand the situation, at the civilian flying training schools the matter is entirely in the hands of the flying training school management?—A. That is right.

Q. As far as you know there is no internal audit; but as I understand you, the disposition of these profits is with the object of benefiting the particular school, is it not?—A. Yes.

Q. Do you know how this disposition is arrived at; through the personnel of the company, or the men undergoing training?—A. We have in each of these schools a service supervisory officer who is in disciplinary command of the service personnel and it is one of his functions to see that this personnel gets what is coming to them from these profits. He is entitled to discuss these things and to see the company's accounts.

Q. But at the same time it is under the control of the company; and, if I understand the thing correctly, the company could say, here we will give you 4 per cent of the profits, if they see fit; he could say how 4 per cent is to be spent, this personnel officer.—A. Chief Supervisory Officer, is his title.

Q. But he has no control over how much profit the company will give him to allot?—If he doesn't think his personnel are receiving their just desserts he would represent that to the command headquarters and thence to Ottawa; and then that would be referred over to Mr. Apedaile who would take action with the company.

By Mr. Abbott:

Q. Is it the policy of the R.C.A.F. that profits in canteens in these temporary flying schools should be devoted to the benefit of the men there; or, are the civilian companies operating them entitled to retain a share of these profits?—A. The civilian operating companies are not entitled to retain any of the profits.

Q. So that it is simply a matter of checking to see that they are devoting all profits to the benefit of the men on the station?—A. Yes.

By Mr. Ross:

Q. Does this officer make a written report?—A. No, he would only make representations to Ottawa if he were not satisfied that things were going as they should.

Q. Then there is no report available to the personnel as to the total disposition of these funds?—A. I am afraid I cannot answer that question.

Mr. CRUICKSHANK: Is this Mr. Apedaile to be called?

The CHAIRMAN: If the committee so desires.

By Mr. Isnor:

Q. Dealing with this \$30,000 of a profit that covers the period of two and a half years?—A. Yes.

Q. Twelve thousand a year—that is the net profit plus 5 per cent of the net profit, is that correct?—A. It represents 95 per cent of the net profit of the whole operation.

Q. What would be the turnover per year in that canteen from which you received the \$12,000 net profit?

Mr. CRUICKSHANK: Mr. Chairman, I would like to ask—

The CHAIRMAN: Let Mr. Isnor finish, please; he has the floor.

The WITNESS: I am afraid I have not got that figure available at the moment.

By Mr. Isnor:

Q. You will appreciate why I was naturally interested in obtaining the gross; to ascertain the amount of profit you are making in the operation of these canteens.—A. The average personnel in the Toronto manning depot during that period would be about 6,000 men.

Q. That, of course, does not convey very much information as to the gross sales that we would like to get so as to make a comparison; \$12,000 of a profit plus the 5 per cent seems to me to be quite a tidy sum?—A. Quite.

Q. You will let us have that later on?—A. Yes.

Mr. CRUICKSHANK: I would like to have Mr. Apedaile called before this committee.

The CHAIRMAN: Mr. Cruickshank suggests that Mr. Apedaile should be called. Is that the wish of the committee?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: We will endeavour to arrange to have Mr. Apedaile present at a future meeting.

Now, are there any other members of the committee who have any other questions for Group Captain Murray?

By Mr. Isnor:

Q. I would like to inquire with regard to the loans; will you explain the system with regard to these advances or loans made to airmen, and tell us how

they are obtained?—A. Are you referring to the funds which I said in some cases had been set up?

Q. Yes, from which loans are made to airmen.—A. That money is held at the disposal of the Commanding Officer. If an airman finds himself in severe financial distress he will make a request to see the Commanding Officer and state his case; and if the Commanding Officer is satisfied that the man requires help he will lend him the money required and arrange for repayment.

Q. How is this fund created?—A. It is voted for this particular purpose by the canteen committee.

Q. From what source?—A. From the profits of the canteen.

Q. From the profits; that is, from the net profits?—A. From the net profits.

Q. Is that same system in effect at all station canteens?—A. No, only at a portion of them.

Q. Do you know the gross amount to the credit of that particular fund at the present time—roughly?—A. I haven't got that available at the moment; I can produce it, I think, after a little investigation.

Q. Would the system be somewhat along the lines of the Co-operative Credit Association?—A. Oh no, it is purely a relief medium.

Q. Of course, it would just apply to airmen, but would it be carried along similar lines to those of credit associations?—A. It would only provide funds, for instance, if an airman's child died and he had not got the funds to meet the funeral expenses—in such a case he could make an application.

By Mr. Ross:

Q. And it is purely for emergencies?—A. Personal emergencies.

By Mr. Isnor:

Q. I think it is a very worthy object. I was just interested in the way it was created and how it operated. Is interest charged?—A. No, no interest is charged.

By Mr. Wright:

Q. Has the Commanding Officer the right to deduct the loans from the airman's wages?—A. He has no right of recovery unless the airman gives him a signed authority for the deduction; but, if he does not get that signed authority he has no right to deduction from the man's pay.

By Mr. Castleden:

Q. Could you give us the total amount paid to the Receiver General by the Air Force throughout Canada, let us say, up to March 31st, 1942?—A. The only amount paid to the Receiver General is that \$30,000, from No. 1 Manning Depot at Toronto, the remaining balances are all held at the stations.

Q. How long are they going to be held there; when are they going to be paid in to the Receiver General; is there any regulation governing that?—A. There is no regulation at all.

Q. Do you not think that some recommendation should be forward saying that these amounts should be paid in every six months?—A. I would say emphatically no; if you do that, you encourage your station commander to be wasteful in the disposition of his non-public funds; because if he knows he is going to lose it anyway, he will say "I will lose as little as possible."

By Mr. Wright:

Q. The Air Force then are not in agreement with the recommendation which has been made by the special committee set up under order in council P.C. 7320; you are not favourably disposed toward that recommendation?—A. We would be opposed to that.

By Mr. Jackman:

Q. The witness said that if there are surpluses at stations they are put into fixed assets; what does he mean by that?—A. There is equipment for sport purposes, radios, pianos, billiard tables and so on—if they get any surplus over and above that, then they invest it.

By Mr. Cruickshank:

Q. In what?—A. We have made no provision yet for any specific investment which they may hold, because the sums held are far too small at present to permit investment.

Q. What would be the average amount held?

By the Chairman:

Q. Could we go on further than that and get a statement of the exact amounts held at the various stations?—A. We have that, Mr. Chairman.

By Mr. Jackman:

Q. Who has the signing authority, the authority to sign cheques?—A. The Accountant Officer who is responsible for the custody of the funds; and he can only make payment on the authority of the committee.

Mr. ISNOR: The signing power is what Mr. Jackman meant.

Mr. JACKMAN: One man has the signing power, but he has to have the authority of the committee.

The WITNESS: Yes, he is the Accounting Officer and he is charged with the custody of the funds.

By Mr. Cruickshank:

Q. He is really in a sense only a bookkeeper, he has to have authority for his expenditures?—A. Yes.

By Mr. Ross:

Q. Who is included in the personnel of the spending committee?—A. They have one officer and various airmen representatives.

By Mr. Wright:

Q. Do you mean airmen, that an airman represents the men?—A. Of the rank of corporal or below.

Q. Is he selected by the men themselves?—A. Yes, he is selected by the men.

By Mr. Ross:

Q. How large is one of these committees?—A. About five, it may vary.

By Mr. Abbott:

Q. Following Mr. Jackman's question; the funds of these various stations are banked?—A. Oh, yes.

Q. And does this Accountant Officer have sole signing powers on that bank account?—A. Yes. I understand that in addition on most stations the Commanding Officer or the president of the airmen's canteen committee also signs.

Q. Don't you think it would be desirable that as a general rule there should be two signatures to authorize the withdrawal of funds which are on deposit?—A. I am informed now that there are two signatures on these cheques. We are now actually proceeding on the basis of information that we have accumulated over the last eighteen months to re-write the whole of our instructions. A few

months ago we made an effort to have one system throughout the whole of our service, so we prepared for publication a standardized procedure for all stations; but after the experience of the last eighteen months we find that they require a considerable amount of modification. That was the purpose of Flight Lieutenant Wynn's visit to all commands and we propose to incorporate in our revised instructions the recommendations that may be made by the committee.

By Mr. Sanderson:

Q. Are your books audited?—A. Every quarter.

Q. Who are the auditors?—A. The auditor is the Accounting Officer on the station, other than the one who keeps the funds. At almost all of our stations there is more than one accounting officer. At one or two of the smaller stations there is only one accounting officer. At those places the command non-public funds officer goes down and acts as a member of the audit board.

By Mr. Castleden:

Q. As I understand the arrangement it is that as much of this money as possible should be made available to and used for the welfare of the men?—A. Yes.

Q. And that is very much the same policy as was given by the Naval representative whom we had here last week; and it is hoped that all the funds that will be expended from all the canteens of all the services will be so used; therefore, it would appear advisable that we should have a uniform system that would operate throughout all branches of the services; at least, it should be made as uniform as possible. Is there any contact between representatives of the various service with a view to seeing that this policy is made as uniform as possible with regard to the amount of money that is to be sent in from each of these services to the Receiver General?—A. We have an inter-services committee for discussing financial matters and obtaining uniformity and parallel arrangements in the three services, but we have not yet discussed a parallel arrangement for non-public funds.

By Mr. Ross:

Q. Is there any important criticism so far from the personnel as to the present spending policy?—A. None.

Q. They are favourably disposed toward the set-up?—A. Quite favourably disposed.

MR. CRUICKSHANK: Is there a similarity, a more or less identical scheme set up for expenditures between each? If you remember, Mr. Chairman, the Minister for Air himself said his personal opinion was that he was in favour of spending as much of this money as possible during the war and not holding it until after. That was his personal opinion. Supposing that were the policy adopted in so far as the Air Force fund is concerned, unless there is a uniform system it will work a hardship on one department of the Air Force as compared with another, because they will buy all sorts of assets—I mean, using that money for base equipment and so on—and another one would be saving; and the Air Force would get the benefit of the economy of the one unit. I think it should be uniform within the service.

By Mr. Abbott:

Q. On some of these stations there are quite a number of civilian personnel; do the benefits of the fund accrue to the civilian personnel as well as to the service personnel?—A. The civilian personnel using the canteens would get the benefit of any amenities provided through the resources of the canteen; the only distinction being made is that civilians do not get the 25 cigarettes for 25 cents.

Q. They could use the billiard tables and other facilities?—A. Yes.

By Mr. Isnor:

Q. Funds created by or coming from special events—sport or otherwise—do they go to the canteen fund, or to the benevolent fund direct?—A. They give a percentage usually to the benevolent fund and the balance goes into the station fund.

Q. Could you indicate the measure of the division, which is the greater?—A. It is laid down at 10 per cent.

By the Chairman:

Q. Group Captain Murray, the committee I take it, would like to have some information with regard to the amount of money on hand at the various stations?—A. Mr. Chairman, I have here—

By Mr. Cruickshank:

Q. What is the requirement by you—for instance, I understand there is a junior hockey team which they had last season; do the funds from that go into the general fund or do these amateur players receive anything; do they receive 10 per cent?—A. They receive no payments whatever.

Mr. CRUICKSHANK: I am very glad to know that.

By the Chairman:

Q. Group Captain Murray has a statement with respect to the profits of the various stations which he will explain now; and I would suggest that the committee would be glad if you would arrange to have a sufficient number of copies of that statement supplied so that each member of the committee may have one before him.

The WITNESS: Yes, Mr. Chairman; we will arrange that.

This statement is as of the 31st of December, 1941, and throughout the service it shows the cash in bank as approximately \$396,000; the cash in hand \$15,000; accounts receivable \$145,000—and there is actually a cash deficit over the whole thing of \$51,000. This statement, of course, includes no fixed assets.

By Mr. Abbott:

Q. Where would these accounts receivable arise?

The CHAIRMAN: Would it not be better for the record if the statement were made and then we might ask questions on it?

The WITNESS: That would be, generally speaking, liabilities to the central warehouses at our stations. It is our general practice, although it is not universal, to have one warehouse provide the requirements of the officers' mess, the sergeants' mess and the canteen; and so, that would be to the central warehouses.

Q. And that is covered in the report in a more detailed way?—A. Yes. I have also, of course, the breakdown of these different things and I should imagine that you would be interested in the breakdown.

By the Chairman:

Q. There is a statement for each command and for each station in each command?—A. This is a summary, and I also have here statements for each station and each command.

By Mr. Jackman:

Q. I was going to ask the witness about how these supplies are bought; is there a central warehouse at every station?—A. Not at every station, but at most stations. We are trying to make that a universal practice.

Q. And that would be what you might call a canteen supply warehouse?
—A. Yes.

Q. Who does the purchasing; how do they indent for that, and who does it; how much does that require; what is the general method of operation?—

A. There is an officer in charge of it and he does all the purchasing, or provisioning, on the experience which he has gained over the previous periods. He is also subject to control by the accounting officer who is in charge of non-public funds.

Q. Is there any unnecessary labour connected with that physically or administratively which might be short-circuited by having goods go directly without going through the central warehouse?—A. We find that it increases very much our administrative control; because from that central warehouse we charge at selling prices and the canteen has got to come back and give their sales on the basis of selling prices; and in that way we know precisely whether the money is being stolen or when there is a shortage.

By Mr. Isnor:

Q. They operate on a selling price basis; by that, I take it, you mean that the goods go to the canteen from the central warehouse at the retail price?—

A. Yes, to the canteens.

Q. And the canteen in turn shows the return on that?—A. Yes, all canteen records are based on selling prices.

By Mr. Jackman:

Q. Therefore the canteen itself does not make any profit?—A. That is right.

Q. And then you simply look at the profits from the men's canteen as against the officers' canteen and get your total, and you know the percentage which has come from each?—A. We do not charge the officers' mess and the sergeants' mess at selling prices, we charge them at cost. We have a greater measure of control in the officers' and sergeants' messes; you see, the officers' drinks, cigarettes and so on are collected through the medium of the mess bills and not collected in cash; the sales at the canteens are all cash, so we have to have a much greater measure of control in the canteens than we have in the other messes.

Mr. ISNOR: You say, they sell at retail prices?

The CHAIRMAN: Just one minute; I think Mr. Jackman had the floor.

By Mr. Jackman:

Q. Then, the differential between the buying price and the selling price; namely, the profit, as far as the officers and the sergeants are concerned accrues to their individual messes?—A. Yes.

Q. Differing therefore from the men's canteen?—A. Yes.

The CHAIRMAN: Yes, Mr. Isnor?

Mr. JACKMAN: We are not concerned, or, are we concerned, with the profits from the officers' mess and the sergeants' mess; or, are we just dealing with the men?

The CHAIRMAN: I would think that we are concerned with all the profits from all canteens.

Mr. JACKMAN: Well, there is a profit in the one case on your warehouse books and in the other case it is shown in the officers' mess books and in the sergeants' mess books.

Mr. ABBOTT: That is just for accounting purposes, the warehouses do not call it a warehouse profit; it is simply applied to the men's canteen where the profit has really been made. In the officers' and sergeants' messes it is shown in their books.

The WITNESS: Precisely.

By Mr. Jackman:

Q. Whilst the R.C.A.F. shows profit for the officers' messes and the sergeants' messes it is not seen again in your books examined by the officers and this committee, you do not see any profits?—A. They have their own set of books which are audited in the same way as the men's canteen books.

Q. But the profits do not accumulate the way the men's do, do they; are they not spent by the officers' and sergeants' messes?—A. They do accumulate in the same way but there are no accumulations to speak of to date; they spend it practically all.

By Mr. Ross:

Q. Is the officer at the central point in complete and independent charge of purchasing?—A. Yes.

Q. He has complete independence?—A. He is independent.

Q. He is the independent buyer himself, nobody has any control over him at all?—A. Well, the Commanding Officer and the Accounting Officer who is charged with the custody and accounting for non-public funds.

Q. I did not mean that, I meant the actual process of purchasing; he can go into any channel he wishes and purchase?—A. Yes.

Q. It is in his hands?—A. Yes.

By Mr. Isnor:

Q. It is quite possible that the retail prices as set for the airmen's canteen to be quite a bit higher than those charged the N.C.O.s' canteen; in other words, the N.C.O.s and the officers could purchase at cost from the main warehouse, the central warehouse, and then sell those goods to the officers or N.C.O.s at cost, thus preventing any surplus of profit whatever?—A. In the officers' and sergeants' messes they likewise have facilities to provide the same as are provided for the airmen; but probably to a greater degree; therefore, I should think that in the officers' and the sergeants' messes prices are likely to be very much higher.

Q. Quite possibly, but on the other hand, as I have indicated, it could easily be sold at cost; in which case there would be discrimination in regard to the prices as charged to the men and the N.C.O.s or officers?—A. That is so.

Mr. ISNOR: I see a weakness there, that is why I bring that out.

By the Chairman:

Q. Does your statement show the amount of loans that have been made, Captain Murray?—A. No, it is not reflected in any way in this statement. These are the statements of the whole station set-ups without showing any subsidiaries.

Q. So that together with the moneys on hand there would be a certain amount in outstanding loans?—A. Those are included in accounts receivable.

By Mr. Ross:

Q. But not shown?—A. Not individually, there is no breakdown.

Q. Are they shown?—A. Not in total.

The CHAIRMAN: It is included in the amounts receivable.

Mr. ROSS: That is right.

By the Chairman:

Q. Now, Captain Murray, I understand from newspaper reports that certain gifts of money have been made to the Air Force, is that correct?—A. To the benevolent fund.

Q. That is what I was coming to; are the gifts that have been made to the Air Force, to what account have they been credited in the Air Force, and, in whose hands are those gifts placed?—A. Presumably anybody making a gift to a station would make it because, perhaps his son, was at that station or had been at that station; and if he had been an officer presumably it would go to the officers' mess. But I do not know of any specific cases of gifts of money being made, apart from gifts to the benevolent fund.

Q. Then, the R.C.A.F. had a hockey team this year and I take it that some profits were made by that hockey team?—A. Those went to the benevolent fund.

Mr. MARSHALL: The question arises in my mind as to whether the terms of the reference permit us to study the question of the benevolent funds of the various organizations?

The CHAIRMAN: Certain profits from the canteens do go to the benevolent fund; and I think Group Captain Murray said that 5 per cent may be given to the benevolent fund.

The WITNESS: One per cent.

The CHAIRMAN: Oh, one per cent may be given.

The WITNESS: Yes, sir.

The CHAIRMAN: Now, whether the committee under its reference could or should inquire into the operation of the benevolent fund is a matter which we must decide.

Mr. ABBOTT: I am inclined to agree with Mr. Marshall that we have not any authority to inquire into the operation of the benevolent fund to consider whether it is desirable to allocate 5 per cent or 10 per cent or any other percentage to that fund—in my view it is a separate matter.

The WITNESS: I would suggest, Mr. Chairman, that the Minister for Air appointed a committee to sit on this question of the benevolent fund of which Mr. H. G. Norman was chairman. He has made a report to the minister on his findings and has made certain recommendations; and if you wish to investigate the activities of the benevolent fund, if you would call Mr. Norman he could give you that information.

Mr. MARSHALL: There is this question which arises in my mind; as to whether or not the terms of our reference give us that jurisdiction. I question if it does. I do not think it does.

The CHAIRMAN: I would be inclined to agree with Mr. Marshall; but I do think it is pertinent for this committee to know what moneys of the canteen profits are being appropriated to the benevolent fund.

Mr. MARSHALL: To that degree only.

Mr. ABBOTT: I think we would be entitled to inquire in a general way as to what the benevolent fund is and what it is for.

The CHAIRMAN: I would think so.

Mr. ABBOTT: But not the operations of the fund itself. I think we can properly try to find out in this committee what the purpose of the benevolent fund is, and its general purpose. I do not think we can inquire into its operations, because it is an entirely separate fund. It is receiving contributions from the canteen funds and presumably it is getting moneys from other sources as well, isn't it?

The WITNESS: Yes.

Mr. ABBOTT: A certain percentage of the canteen profits go into it, but that is only one source of its funds.

The CHAIRMAN: Then, any information with regard to the benevolent fund witness suggests we should get from Mr. H. G. Norman. The committee would like to have him called at a later date; if the clerk would arrange that.

By Mr. Jackman:

Q. Might I ask the witness just what is covered by the item, cash deficiency \$51,000?—A. That indicates that instead of accumulating profits they are putting all their available funds into assets, fixed assets. There are no fixed assets included in this statement. What it really means is that they have committed themselves for the purchase of assets to the extent of \$51,000 over all.

Mr. ABBOTT: They have anticipated profits to that extent.

Mr. MARSHALL: Is that term not likely to be misunderstood by the public reading it that way?

The WITNESS: It might be misunderstood. It is actually the difference between the accounts payable and the liquid assets.

By Mr. Jackman:

Q. What would you do if the war were to cease tomorrow and the expectation of continuing canteen funds was not realized—you would have quite a deficiency?—A. We still have all the fixed assets which would realize that much; and, of course, our stocks on hand are not included here.

By Mr. Abbott:

Q. They are not included in the current assets?—A. No.

By Mr. Castleden:

Q. You have as capital expenditures such things as pianos, billiard tables and so on; is there any regulation at present covering what shall be done with these capital expenditures presuming that a station has \$4,000 to \$5,000 invested in such capital assets; is there any regulation governing what shall be done with these?—A. No, there is no regulation at the moment.

Q. It might be well, don't you think, to have such a regulation prepared to cover that angle of it?—A. It is difficult to foresee what the situation may be at the end of the war. We may start closing down these stations.

Q. And if we are not prepared for it it is going to make a lot of difference in procedure?—A. Between the time of the end of the war and demobilization there will be some considerable time, we will still need to run a great majority of these messes, and it will give us plenty of time to give full consideration then, I think, to the disposal of the equipment.

By Mr. Abbott:

Q. Have you in your statement any figure for the inventory of stock on hand?—A. No, it is not in this statement, but I can give you—I can procure for you a figure on that.

Q. It will be in excess of \$51,000?—A. By a very large amount.

By Mr. Isnor:

Q. As to that \$194,000 roughly, it is the difference between that and this \$145,000 of bills receivable; that represents the stocks of the various canteens— isn't that so?—A. Yes.

Q. That represents the outstanding accounts in the various canteens covered by goods or stocks?—A. The accounts receivable almost entirely are owing by officers' and sergeants' messes to the central clearing house, central stores.

Q. For the stocks?—A. For stocks.

The CHAIRMAN: We had a list given in—

Mr. ISNOR: I want him to finish it.

The WITNESS: They will be in there as well, but they would be very small by comparison.

By Mr. Isnor:

Q. That I think answers the question raised by Mr. Abbott; that you actually have at least \$145,000 worth of stock to go against the deficit, or apparent deficit of \$51,000?—A. No.

Mr. ABBOTT: That \$145,000 is included in the assets at the present time.

The WITNESS: Yes.

Mr. ABBOTT: And it is included in arriving at the so-called cash deficiency of \$51,000?

The WITNESS: Yes.

By Mr. Isnor:

Q. I put it the way I did because your assets; or, as I understood you to say, in your statement of the assets; you do not show inventories at all?—A. No. We are merely trying to show here the available funds in these accounts for disposal.

By Mr. Abbott:

Q. You are just showing the cash position.—A. The cash position is what we are trying to show there. We have all these other figures available.

By Mr. Isnor:

Q. What does this \$396,000 represent?—A. That is the amount kept in the banks by all the canteens in the service.

By Mr. Marshall:

Q. That is the net profit?—A. Oh, no; because against that there are accounts payable, and the accounts payable amount to \$607,000.

By Mr. Isnor:

Q. That is the item you mentioned when I was—

The WITNESS: That is where we get the deficiency from.

By Mr. Ross:

Q. These accounts receivable are due from the sergeants and the officers?—A. To a large extent.

Q. What range of operations would that represent?—A. A month's clearances.

Q. One hundred and forty-five thousand dollars then might be considered an average monthly outstanding account?—A. Yes, it is settled monthly by the two messes concerned.

By Mr. Marshall:

Q. What would be the net profit at the present moment in connection with the operation of all the canteens?—A. Of course, there are different breakdowns,

on the wet canteens and the dry canteens and so on. We break them down into five different categories for sales, and the percentage of profits of these vary over all. Our gross profit runs out at 16 per cent; but the net profit depends on the need of the station, what they have to find out of that gross profit for running expenses of the different athletic and recreational activities.

Q. You are speaking now in terms of percentages; I really meant the actual net profit in terms of dollars and cents?—A. I am afraid I cannot give you that figure at the moment.

The CHAIRMAN: Mr. Jackman, did you have a question?

By Mr. Jackman:

Q. This perhaps is not quite in line with what we have been talking about: I was going to ask if it would be in order to ask the witness if from his observations he has any suggestions as to the way the profits that accrue might most beneficially be employed; is that within the sphere of the questioning at the present time?

The CHAIRMAN: If the witness would like to give an answer I think the committee would appreciate it.

The WITNESS: I would view personally, and I think it would be the service view, that it would be best to leave these profits on the stations to spend as much as we can, and make the airmen as happy as they can be, during their service.

Some hon. MEMBERS: Hear, hear.

The WITNESS: And so, too, any surplus I feel equally that the station commander should be allowed to invest it in any government war securities.

Some hon. MEMBERS: Hear, hear.

The WITNESS: But I would depreciate taking that money away from them, because they would lose interest then in the economical use of funds. It is a great satisfaction to a responsible officer to be able to have a certain amount of money. If we tell the officers commanding that any surpluses they have are going to be taken away for any purpose, they will just be prodigal with the funds available.

By Mr. Castleden:

Q. He would expend them for the general welfare of the unit, would he not?—A. Yes, that is true; but at the same time that is no excuse for prodigality. He would not get value for his money in many cases—he might build a theatre and he might buy heavy velvet curtains and so on; that is not necessary.

MR. CASTLEDEN: It must be in the general welfare.

By Mr. Jackman:

Q. The witness has told us what he would do; would it be in order for us to ask him what he would not do, what would he suggest that the officer commanding could do with these funds in the way of profit from the operation of the canteens for the men at the present time in the services?—A. I beg your pardon?

Q. Your answer has been somewhat negative. You have been telling us what you would not do. You would leave them with the stations. How should they be spent; to improve the diet of the men, or on recreation facilities, or for the benefit of all of them?—A. Most certainly anything they can do to stimulate athletic recreation should be gone for in a big way; particularly for air crews. It is most essential also that they should be properly fed. It is also necessary, our stations being, most of them, in such isolated localities, that we should provide recreation at nights for them, so that they do not sit around

and mope; say anything in the way of station movies, providing billiard tables, radios and concert parties, concert party platforms, pianos—I think the money should be spent on that with an open hand. The ration scale at present, or any ration scale that is likely to be laid down, will not include anything for sauces or condiments and things like that, and money for these small comforts has to be found some place or other. I would think that a proportion of these profits should be spent on supplementing the ration issue.

By Mr. Cruickshank:

Q. Is that being done now?—A. It is being done very, very largely throughout the service.

Q. I understand it is not being done at all the stations; take Rockcliffe, for instance; I was talking with a man who is stationed there and he says the ration is simply awful out there, just plain rotten.—A. I do not know any man who does not grumble about his food.

MR. CRUICKSHANK: I understand that the general run of the Air Force finds that the ration issue is far from satisfactory in its present form.

There is another matter which I would like to bring to the attention of the committee: I would like to know, Mr. Chairman, if arrangements are being made to have brought before this committee representatives from the men themselves. They are very directly concerned in this whole matter of the canteen funds. Now, when I ask that I have in mind that we should have before us a man from each of the services; and particularly I want to see that these men are appointed by the men themselves and not named, somebody sent named by a Commanding Officer or anything like that. I think this committee should have the benefit of the views of the men themselves and that those views should be made available to this committee through the medium of the man who is appointed or selected from among the ranks of the men themselves by the men themselves.

By Mr. Jackman:

Q. Is there any uniformity in the spending of these funds; any uniformity in purpose at the different stations; for instance, in so far as track and recreational facilities and the like are concerned?—A. Yes.

Q. Do they endeavour in any way to pass on the good ideas which may be developed in any one station to other stations so that there may be some uniformity?—A. We have an organization which investigates the running of these canteens and endeavours to bring the best results of each of the stations before others for advice and action.

Q. What do you call that officer?—A. He is under the department's Air Member for Personnel, Flight Lieutenant Sailor.

By Mr. Ross:

Q. Do you think the personnel would be interested individually in the disbursements of the profits? What I have in mind is this: if an airman, or a soldier or a sailor, knew that the profits that are being accumulated through the operation of these canteens would come back to him some day in the form of a cash return would that not be a good thing? For instance, as an example, supposing a soldier was not given an increase in pay, but if he was aware of the fact that he was receiving 5 cents a day in Canada or 10 cents a day when he proceeded overseas; if these amounts were taken from the profits of the canteens so far as possible and the balance made up by the Government of Canada; do you not think he would be interested in that form—of course, if anything happened to him those funds accumulated would go to his next of kin—then he would know that the money he is spending from day to day would be coming

back to him to a certain extent in the form of a cash return. And I would not include in that the officers, say, up to the rank of N.C.Os.—A. For that to be equitable would you not have to keep a record of what each man spent in the canteen?

Q. I do not think so.—A. Otherwise you get some men who spend all their time on the station and spend all their money in the canteens; on the other hand you get a chap who saves all his money and goes away at the week-end; why should they both get the same refund from the canteen fund?

Q. It is hardly a refund. I am hoping that matter will sometime come before this committee or some other committee; what disposition is going to be made of these millions of dollars, as occurred in the last war? It is my idea and my suggestion that some form of individual disposal of these funds will have to be considered, possibly by this committee before it rises; or, something along those lines. I was just wondering what your viewpoint would be as to that?—A. Would it not, at the conclusion of hostilities, be a good idea to put all the surplus funds and proceeds of sales of equipment into the benevolent fund?

Mr. MARSHALL: That is the point we are trying to get at.

The WITNESS: That fund could then take care of—in so far as it is not met under government arrangements—all cases of hardship and difficulty. The men who are lucky after the war would not need to draw on it, but they would know that if they were in any unfortunate position that there was a fund there which they could get at.

By Mr. Marshall:

Q. Do you not think though that the responsibility for such men who find themselves in such an unfortunate condition is rather a function of the government?—A. Yes. You can legislate generally, but you cannot legislate specifically.

Mr. ROSS: No.

By Mr. Marshall:

Q. There is one question: in this tabulation which you have made this morning, does that cover the operation of the canteens in England?—A. The canteens in England are operated by the R.A.F. Our squadrons to date and our personnel to date, are all intermingled with the R.A.F., and we are at the present time discussing with the R.A.F. the means whereby they can remit to us at the end of the war a just proportion of our balances which are being built up in the United Kingdom.

Q. It is under discussion now between the R.C.A.F. and the R.A.F.?—A. Yes. You see, we have reciprocal arrangements here in Canada whereby we have the R.A.F. schools here; so that if we allow the R.A.F. schools in Canada to retain any accumulated funds when they return to the United Kingdom, the United Kingdom should give us a proper proportion of the funds of our personnel which they were accumulating while in England.

Mr. CRUICKSHANK: Mr. Chairman, I would like again to refer to the matter about which I was speaking earlier; that of calling a representative of the men themselves to appear before this committee, a man from each of the services, appointed by the men themselves. After all, they are the ones who are most largely concerned in the building up of this canteen fund, this fund from the profits of operating the canteens; and in my view, it is only fair that they should have an opportunity of expressing their views to us, particularly as to what we are going to do with it and how we are going to handle it after the war.

The CHAIRMAN: After the war—there is very little there now, and there might not be any then.

Mr. CRUICKSHANK: I appreciate that. We all have views, and I presume this committee is going to make a recommendation. I know my own views off

hand—I think the more that is spent now the better and that it should not accumulate.

The CHAIRMAN: You would not come to a conclusion before hearing all the evidence?

Mr. CRUICKSHANK: No; and that is why I am anxious to know whether or not we are going to have an opportunity of getting the viewpoint of the rank and file.

Mr. ROSS: Yes, of the men responsible for the profits.

Mr. CRUICKSHANK: Of the men who build up the profits.

The CHAIRMAN: I am sure that members of the committee would agree with Mr. Cruickshank that we should endeavour to get the view of the non-commissioned men as well as the rest of the men. I might point out, as to the evidence which we have had so far, that while it has been given by commissioned officers the views expressed have not in all cases been those of the commissioned officers alone. They have told us how the canteens have operated, and at times we have asked their viewpoints; but the purpose in calling them has been to present to us a picture of just what has been done so far so that we might have a better knowledge of how these canteens were operated; and then, we want to get the views of the men themselves with respect to the final disposition of the fund.

Mr. CRUICKSHANK: Also, as to how the canteens should operate.

The CHAIRMAN: Yes, also with respect to the operation of the canteens.

Mr. ABBOTT: We should find out from the people using them how they should operate.

The CHAIRMAN: The committee intends to get that information and to get that viewpoint.

By Mr. Jackman:

Q. Might I ask a question in regard to the amount of discretion the officer in command of the station is permitted to exercise: last summer I visited the Malton airport and the officer showing me around complained bitterly of the lack of a recreational field there—I think it might have cost several thousands of dollars to instal one—would the officer be free to go ahead with a project of that nature?—A. Entirely so, but the officer commanding would have power to veto if the provision of that playing field would in any way interfere with the operations, or if he felt that the expenditure of money was not in the best interests of the men.

Q. But the officer and the committee are entirely free to spend the money as they see fit?—A. Yes.

The CHAIRMAN: It is now one o'clock. Group Captain Murray could come to our next meeting?

The WITNESS: Yes, Mr. Chairman.

The CHAIRMAN: In the meantime he will have copies of the financial statement made and the clerk will see that each member of the committee receives a copy so it can be studied, and Captain Murray will be glad to answer questions on it when he appears before us at our next sitting.

The committee adjourned at 1:05 o'clock p.m. to meet again at the call of the chair.

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(SESSION 1942)

(HOUSE OF COMMONS)

(SPECIAL COMMITTEE)

ON

(CANTEEN FUNDS)

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, JUNE 2, 1942

WITNESSES:

Mr. J. L. Apedaile, Financial Adviser for Civil Flying Schools, Department of National Defence for Air.

Mr. A. J. Dixon, Chairman of Subcommittee on Administration of Special Funds, Department of Pensions and National Health.

OTTAWA
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PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942

JUN 9 1942

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

TUESDAY, June 2, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 11.30 o'clock a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs Black (*Yukon*), Castleden, Cruickshank, Diefenbaker, Emmerson, Gillis, Gray, Green, Isnor, Jackman, Macdonald (*Halifax*), Macdonald (*Brantford City*), MacKenzie (*Neepawa*), Mackenzie (*Vancouver Centre*), Macmillan, McCuaig, McLean (*Simcoe East*), Marshall, Ross (*Middlesex East*), Ross (*Souris*), Winkler, Wright.

In attendance: Paymaster J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet; Colonel E. A. Deacon, Director of Auxiliary Services with Lt.-Col. A. Cairns; Lt.-Col. J. A. de Lalanne, President of the Regimental Funds Board with Major Georges Garneau; Flight-Lieutenant J. M. Wynn, representing the Directorate of Accounts and Finance, R.C.A.F.; Mr. J. L. Apedaile, Financial Adviser for Civil Flying Schools, Department of National Defence for Air; Mr. Robert England, Executive Secretary, General Advisory Committee on Rehabilitation; Mr. A. J. Dixon, Chairman of subcommittee on the Administration of Special Funds, Department of Pensions and National Health.

In opening the proceedings the Chairman informed the Committee that Group Captain Murray, Deputy Air Member for Accounts and Finance, R.C.A.F., whose examination had been adjourned from the last meeting, was unavoidably absent owing to an engagement in connection with the Air Training Conference. Mr. J. L. Apedaile was present, however, and would be prepared to give the Committee the information they desired with respect to the administration of canteens in the Civil Flying Schools.

Mr. J. L. Apedaile, Financial Adviser for Civil Flying Schools, Department of National Defence for Air was then called and examined. The witness was requested to supply the Committee with a Financial Statement of the various Civil Flying Schools' canteens, such statement to indicate the initial expenditures and their source, the gross and net receipts and the disposition of the benefits derived from the operations of such canteens. Mr. Apedaile stated he would undertake to furnish the Committee with the information within the next week or so and with enough copies to be distributed to each member. The Chairman thanked the witness for his attendance and he retired.

Mr. A. J. Dixon, Chief Administrative Assistant, Department of Pensions and National Health and Chairman of the subcommittee on the Administration of Special Funds was afterwards called. The witness explained the background of the subcommittee which he presided and gave an outline of the work carried

out by the said subcommittee. In the course of his deposition Mr. Dixon furnished the Committee with copies to be distributed to each member of the following:—

1. Details of Distribution of Funds with extracts from annual reports of Provincial and other Boards showing major expenditures under different headings.
2. Extract from Saskatchewan Canteen Funds Inquiry Commission, 1940—Report of Hon. Mr. Justice Donald MacLean, Commissioner—April 1940—Recommendations—Page 28.
3. Copy of Letter from Premier W. J. Patterson, of Saskatchewan, to the Department of Pensions and National Health, re: Annual Report, Saskatchewan Canteen Funds Trustees—Regina, July 12, 1940.

At the request of the Committee, the witness tabled the following documents, to be kept in the custody of the Clerk, for the information of the members. It was agreed that the said documents would be returned to the Department of Pensions and National Health after they have served their purposes:—

REPORTS OF BOARDS OF TRUSTEES, CANTEEN FUNDS

Prince Edward Island, 1927 to 1938, inclusive.
 Nova Scotia, 1927 to 1941, inclusive.
 New Brunswick, 1927 to 1942, inclusive.
 Quebec, 1927 to 1942, inclusive.
 Ontario, 1927 to 1942, inclusive.
 Manitoba, 1927 to 1942, inclusive.
 Saskatchewan, 1927 to 1941, inclusive.
 Alberta, 1927 to 1942, inclusive.
 British Columbia, 1928 to 1940, inclusive.
 Yukon, 1927 to 1942, inclusive.
 United Service Fund, England, 1927 to 1938, inclusive, and 1941.
 American Red Cross, 1927 to 1928, 1930 to 1942.

also,

Report of the Honourable Mr. Justice Donald MacLean, Commissioner of the Saskatchewan Canteen Funds Enquiry Commission, April, 1940.

The witness was examined on these various reports and documents and his examination was adjourned until the next sitting of the Committee.

At 1 o'clock p.m., the Committee adjourned to meet again at the call of the Chair.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

June 2, 1942.

The Select Committee on Canteen Funds met at 11.30 a.m. o'clock. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: Order, gentlemen. You will recall that at the last meeting of the committee Group Captain Murray was giving evidence. Unfortunately he cannot be with us to-day as he has to attend another committee meeting in connection with the air force. Some of the members were asking about the canteens in the schools operated by Civil Flying Companies. Mr. J. L. Apedaile is here to-day, and if it meets with the pleasure of the committee he will give whatever information you would like in connection with canteens in civilian flying schools. I will call on Mr. Apedaile.

Mr. J. L. APEDAILE called.

The WITNESS: The only reference to the question of canteens in the contract under which the schools function is section 16 which reads as follows:—

The company covenants and agrees that it will comply with such regulations as the minister may from time to time prescribe with respect to the sale, consumption or keeping of beer or spirituous liquors, on the premises owned, occupied or used by the company.

From that the department had inferred that the company is responsible for the canteens and issued the following instructions to the companies in regard to these canteens:—

The canteen is the responsibility of the operating company, vide paragraph 16 of the agreement.

It is recommended that a committee of three be appointed at each school consisting of the senior supervisory officer and another officer and an official of the company who will submit a report and statement of accounts at the end of each lunar month to the manager.

By Mr. Diefenbaker:

Q. What date is that?—A. The 24th of September, 1941.

The instructions continue:—

The canteen facilities should be equally available to both R.C.A.F. personnel and civilian employees of the operating company.

Profits arising from the operating of this canteen, after payment of contribution to R.C.A.F. benevolent fund, should be available for the providing of general recreational facilities at the school for trainees and civilian employees.

By Mr. Isnor:

Q. What do you mean by payment of contribution to the benevolent fund? Is that what you call it?—A. Yes, the benevolent fund. That is the R.C.A.F. benevolent fund.

Q. Is that on a percentage basis?—A. Yes, 1 per cent.

By Mr. Castleden:

Q. Of what?—A. One per cent of the turnover is paid to the benevolent fund.

By Mr. Isnor:

Q. Of the gross sales?—A. Yes. Shall I continue?

The CHAIRMAN: Yes.

The WITNESS: The proceeds of this canteen fund in any one school—the profits, I should say, amount to approximately \$50 to \$100 a month, depending on the size of the school.

By Mr. Diefenbaker:

Q. What did you say—\$15 or \$50?—A. From \$50 to \$100 a month, according to the size of the school. These funds are under the control of this committee, according to this circular, and they use them. They make recommendations as to how they will be used; and as they spend them, they draw them from the company. They spend them for such purposes as additional furnishings for the canteen, the recreation hall, sports and things of that kind. Most schools have a recreational manager either from the Salvation Army, the Knights of Columbus or the Y.M.C.A. They put him on this committee and he is the guiding spirit in the taking care of the trainees and in the recommendations as to how these funds or profits should be disposed of. The funds are in the hands of the operating company until such time as they are called for by this committee. The check that we have on these funds is that the company, under the Dominion Companies' Act, requires to have an audit, and we use the company's auditor to audit these funds, along with the funds and other affairs and accounts of the company. In that way we are satisfied that they are properly segregated and allocated. Over and above that, of course, the Auditor General makes his periodical audit and goes over the same work to a great extent, from the point of view of the Crown.

Q. Do you exercise control on the prices?—A. No, we do not exercise any control; but the prices are fixed to give as little profit as possible and a reasonable price to the boys who use the canteen.

Q. Are there any wet canteens operated in the civilian schools?—A. I do not know one school where you can even get beer in the canteen, sir.

The CHAIRMAN: Are there any other questions that any members of the committee would like to ask Mr. Apeidaile?

By Mr. Cruickshank:

Q. What do you mean by furnishings in the canteens? You said that this \$50 to \$100 is used, among other things, for furnishings in the canteens. Are they not all furnished?—A. No, sir. No canteens are furnished when they are handed over to the companies.

Q. Are you sure of that?—A. Yes.

Q. In all cases.—A. Yes. Most canteens and recreational halls are furnished either by gifts of the citizens in the district or gifts by the directors of the company or out of the profits of the canteen.

Q. With respect to those profits, you said they averaged \$50 to \$100 per month?—A. Yes.

Q. How much of that is, on the average, left over?—A. Well, I find, from my experience of investigation, that they are usually ready to spend the money before they have made it. But it is getting better as the schools are getting older.

Q. They are willing to spend it. That is the point I am getting at. They are not building up a fund there for the private companies?—A. No. It is the opposite.

Q. I hope the company is in debt at the end of each month.

By Mr. Castleden:

Q. What percentage of that would be capital expenditure in the way of furnishings?—A. It is very difficult to say that because a billiard table or a ping pong table might be capital or revenue, whichever way one likes to look at it.

Mr. JACKMAN: It depends on who is using it.

The WITNESS: Or a baseball outfit. It is a toss-up whether you call it capital or revenue.

By Mr. Castleden:

Q. I imagine a billiard table would still have some value after it is used for a year or two?—A. Yes; in spite of the treatment.

Q. I was wondering with regard to the disposal of these. They are going to have a certain capital value. To whom would that value accrue?—A. I am afraid that has not been given any consideration yet.

Q. I am afraid so, too.

By Mr. Cruickshank:

Q. I should like to revert again to the matter of furnishings. What is meant by "furnishings" in a canteen?—A. Well, in the canteen you will go in and find little tables with a few chairs around them; you will find a ping pong table; you will find a little bookcase; you will find odds and ends to make them comfortable.

Q. The reason I am asking that is that I am afraid you are not entirely correct in what you say or your information is not entirely correct about them not being furnished at the expense of the government. Boundary Bay, for instance, was completely furnished at the expense of the government, was it not?—A. No; by the company.

Q. Well, it is all charged up to us.—A. No. It was not charged to the government. That belongs to the Boundary Bay school itself.

By the Chairman:

Q. It was not charged to the company?—A. No. It was not charged to the Crown.

By Mr. Cruickshank:

Q. It belongs to whom?—A. To the company. The company advanced the money for that themselves, not the Crown. It was not charged to the Crown.

Q. Am I to understand that the Boundary Bay school belongs to the company?—A. No, sir. But the canteen furnishings, with which I am very familiar—and they are rather nice too, for that matter—were bought out of money of the company, not out of Crown money. They were purchased out of funds of the company. That is, the capital of the company was used to buy those furnishings.

By Mr. Diefenbaker:

Q. But at the conclusion of the contract those that invested the capital get it back?—A. Well, they have the assets, sir.

Q. Is that an exception? Boundary Bay is different to the other civil flying schools?—A. Well, yes. Boundary Bay went into it rather generously and they made a rather nice job of it. We tried to get the other companies to follow suit.

Q. But you did not get them to do it?—A. Not quite as well.

By Mr. Cruickshank:

Q. I am glad to hear that. It was not the general information—at least not as I had it. I was at the opening of Boundary Bay. I am glad to know that what you say is correct.—A. I can assure you that is correct.

Q. I am glad to hear it.

The CHAIRMAN: That is the situation now.

By Mr. Diefenbaker:

Q. In so far as the operation of these canteens are concerned in these civilian schools, is it not a fact that the companies have been putting out the right to operate these canteens on a kind of tender basis, awarding the contract to private individuals?—A. In one or two cases, at the commencement, they made a contract with their caterer, to include what we know as the civilian canteen and for which they took for operating—that is, to cover their wages and things like that—50 per cent of the profits. We discouraged that. We felt that the canteen should be run both for civilian and air force trainees on a committee basis where all the profits available should be used for the benefit of these trainees.

Q. How many of the schools are in the position of having the canteen operated on a 50 per cent basis by a private organization?—A. I think there are about three, or maybe four at the moment, which have not yet got rid of their contract with the caterer, but it will not be renewed.

Q. Is it not a fact that in the rest of the schools these canteens are operated by private individuals?—A. No. In the rest of the schools the canteens are operated by the committee.

Q. What is the position in Prince Albert in the air observers' school?—A. The position in the air observers' school in Prince Albert is that it is still tied with the caterer.

Q. The system there, in effect, is that they turn over the operation of the canteen to private individuals who receive 50 per cent of the profit?—A. That is right.

Q. What are the other schools that are in the same position?—A. The names of them I could not tell you at the moment.

Q. It may be difficult to remember them.

The CHAIRMAN: I think the witness said there were two or three.

Mr. DIEFENBAKER: I think there must be more than that.

The WITNESS: There are certainly not more than four.

By Mr. Cruickshank:

Q. How is Boundary Bay operated?—A. Boundary Bay is not operated in that way. Boundary Bay is operated under the committee plan.

Q. What are the profits per month in Boundary Bay?—A. I would say Boundary Bay would run about \$100 a month.

By Mr. Castleden:

Q. Would it be possible to get a statement of the gross sales and the profits from each of the various schools?—A. It is quite possible, yes.

Q. I wonder if that might be tabled with the committee?

By the Chairman:

Q. Could you table that?—A. Yes, I could.

Q. You could prepare it?—A. Yes.

Q. Then we could have it.

Mr. CASTLEDEN: Yes.

The CHAIRMAN: I would suggest that the witness hand it to the secretary of the committee, and the secretary could arrange to have copies made or the witness might have a number of copies made to be distributed to the members of the committee.

The WITNESS: I would have to gather the information. It would take a matter of a week, maybe.

Mr. CASTLEDEN: That is understood.

By Mr. Cruickshank:

Q. Did I understand the witness to say, with respect to these schools that have civilian canteens, that the period of the contract is a certain definite period, on a 50 per cent basis?—A. Yes; the contract is never made for longer than a year.

Q. As I understand it, they are not being renewed?—A. No, they are not being renewed.

By Mr. Diefenbaker:

Q. They have been in effect now for over a year and a half. I am not trying to tie you down, Mr. Apedaile.—A. It is just about that time.

Q. I just want to find out the reason that you permitted such a difference in the operation of these canteens.—A. We had no authority at the beginning. We had to assume it.

Q. And you have no authority now, as a matter of fact?—A. No. But they have all fallen into line.

Q. Yes.—A. We gained by experience and used our experience in getting things in place.

Q. That is one thing that has happened in the civil air schools, I know.—A. Yes.

Q. The only authority you have is over wet canteens?—A. Yes. And there are none of them that have anything wet.

By Mr. Isnor:

Q. I should like to inquire a little further in regard to the monthly profits and expenditures. You purchase certain equipment that you would consider capital expenditure. Do you subdivide your regular expenditures as against what you would consider capital expenditures?—A. As the committee asks for money to spend—that is, this committee on the canteen—they make their recommendations to the company and the company hands them over the money or pays the bills for them. What the canteen committee do with it is that they sometimes buy furniture; sometimes they buy other things that might be called capital or might be called revenue, as I explained just now.

Q. That is what I want to know. Do you classify them, one as a capital expenditure and the other not?—A. No. They do not make any distinction. The only thing they do is to have an inventory.

Q. Then if there is one canteen showing \$100 a month, as you stated and it was all used in capital expenditure, then at the end of a year you would have an asset in the company of \$1,200, so you have a very definite equity as far as that canteen is concerned.—A. Which they consider belongs to the canteen committee.

Q. It belongs to the canteen committee?—A. Yes.

Q. Still you are investing it in a capital expenditure that, at the end of the war, will have some real value. Where does that equity go?—A. It merely goes on the inventory at the present time.

Q. Who controls it at the end of the war?—A. That has not yet been decided.

Q. That is what I wanted to find out.

By Mr. Ross (Souris):

Q. I understood you to say, in the case of these private operators, that none of these contracts would be renewed after their first year's lease is up. Is that correct?—A. Yes.

By Mr. Diefenbaker:

Q. Then you have no control whatsoever at the conclusion of the contract over the moneys the company may have in their possession earned as a result of the operation of the canteen?—A. Except that we would claim it.

Q. Yes, you have a claim. But you have no legal claim?—A. No, neither on the money in their hands nor on the furniture that they may have bought.

Q. You have no legal claim?—A. None whatever.

Mr. SANDERSON: I am not quite sure how the gentleman who has been giving evidence comes into the picture. He is working for some company; is that right?

By the Chairman:

Q. What is your position?—A. My position is financial adviser of the civil flying schools under the Deputy Minister of National Defence for Air.

By Mr. Sanderson:

Q. You are employed by the company?—A. Yes.

The CHAIRMAN: No. He says, "You are employed by the company." You are employed by the government.

The WITNESS: I am employed by the government.

By Mr. Ross (Middlesex East):

Q. As controller of the civil operated schools?—A. Yes.

The CHAIRMAN: If there are no further questions, I want to thank you, Mr. Apeidaile, for coming here.

Witness retired.

We have here Mr. Dixon, chairman of the subcommittee on the administration of special funds, of the Department of Pensions and National Health. If it meets with your approval, I would ask him to give his evidence now. I might remind members that in the minutes of proceedings and evidence number 1, appendix F, was printed the report of that committee.

Mr. A. J. DIXON, called.

By the Chairman:

Q. I think it would help the committee if you would be good enough to explain just under what department you are employed, just what this committee is, and what position you yourself hold in respect to the committee.—A. Yes, sir, I shall be glad to do that.

By order in council dated December 8, 1939, (P.C. 4068½) a special committee of the cabinet was constituted to procure information respecting, give full consideration to, and report regarding the problems which will arise from the demobilization and the discharge, from time to time, of members of the forces during and after the conclusion of the present war, and the rehabilitation of such members into civil life. The Minister of Pensions and National Health was named convener of the committee of the cabinet. The order also provided for the appointment of advisory committees selected from the personnel of government departments or agencies.

A general advisory committee on demobilization and rehabilitation was subsequently appointed under the chairmanship of Brigadier General H. F. McDonald, chairman of the Canadian Pension Commission.

At a meeting of the general advisory committee on January 20, 1940, it was decided to set up a subcommittee to deal with:—

The administration of surplus canteen or other funds available at the close of the war for the future benefit of discharged men.

I received a communication from the chairman stating that the committee had decided that I be asked to undertake the chairmanship of the subcommittee on the administration of special funds. Later a letter was received from the chairman in which it was pointed out that after the last war substantial sums of money were available from various sources, public and private, which were specifically earmarked for the benefit of ex-soldiers and their dependents; that while these funds were at first subject to the control of the federal government, different agencies were employed; that the committee suggested the following subcommittee to review the history of these administrations and to recommend a policy for dealing with such funds as might be available as the result of the present war:—

Convenor—A. J. Dixon, Secretary, Department of Pensions and National Health.

H. A. Bridges, Departmental Solicitor, Department of Pensions and National Health.

G. F. Toone, Canadian Pension Commission.

Col. D. M. Dunwoody, Department of National Defence.

A representative of the Comptroller of the Treasury to be named.

The chief treasury officer, Department of Pensions and National Health, was subsequently named a member. Lt.-Col. J. A. Delalanne subsequently replaced Col. Dunwoody. The subcommittee's report was placed in the hands of the committee on demobilization and rehabilitation on March 3, 1941. It appears as appendix F, as was pointed out by the chairman, to the minutes of proceedings and evidence of this committee, number 1 of May 5, 1942, at page 29.

It will be noted that after the subcommittee was constituted, the formation of another committee under the chairmanship of J. W. MacDonnell was authorized by orders in council. The terms of reference of the MacDonnell committee included the matter to be considered by the special committee on demobilization and rehabilitation. Accordingly the report of the latter was referred to the MacDonnell committee for its information.

As will be seen from the report of the committee of which I was chairman, the committee reviewed the history of the various funds available since the end of the Great War for the benefit of veterans. The report very briefly refers to the source of the canteen funds, the consideration given to the question of the disposal of the funds and their final distribution under the authority contained in the Canteen Funds Acts of 1925 and 1928, copies of which appear as appendix J of the report of this committee of May 21, at page 95.

Under the terms of the two Acts the funds were distributed among the several provincial boards of trustees appointed by the lieutenant-governor of each province for the purpose, the board of trustees for the Yukon territory, the American Red Cross in Washington, D.C., and United Services Fund in England, the last three appointed by the Governor in Council. Whilst the Acts indicated that certain general principles laid down in the Acts should govern in the distribution or apportionment by each board, such principles would not restrict the powers of each board in determining the manner in which they should dispose of the money. It should also be noted that the only report of

the activities of the various boards to be submitted to the federal government would be annual reports to the Minister of Pensions and National Health setting forth the work accomplished during the preceding twelve months, the amount expended and the balance in hand.

In the main, such annual reports constitute the only evidence which the subcommittee had before it when looking into the history of the administration of the funds. In some cases, however, additional information was supplied in the reports or otherwise came to the knowledge of the department. This enabled the subcommittee to include in its report certain references to provincial activities.

From such information and reports, combined with the experience of different members of the committee who have been associated with veterans' affairs through their work in the Department of Pensions and National Health and the Canadian Pension Commission or otherwise, the subcommittee arrived at its recommendations which might be described briefly as a recommendation that all canteen and other funds arising during the war and not expended during the war for the welfare of the armed forces of Canada be placed in the hands of the Receiver General of Canada and administered under the direction of a central board for the purpose of assisting ex-service men and their families by loan or grant where adequate assistance was not available from government or other sources. Further details of the recommendation appear on pages 46, 47 and 48 of the minutes of this committee.

On May 21, Mr. Castleden asked if a report on the activities of other provincial boards of trustees similar to that contained in the subcommittee's report on the provincial board for British Columbia could be obtained. Unfortunately, some of the provincial reports contain little more than a statement of expenditures under different headings, no information having been given with respect to the number of applications granted or declined, types of cases assisted, etc. I have endeavoured, however, as far as possible to compile a statement showing the major expenditures, under different headings, of the several boards during the years up to and including 1941. With your permission, Mr. Chairman, I shall distribute copies among the members. It should be noted, however, that approximate figures only have been used and the actual expenditure is, therefore, not necessarily reflected. However, the balance shown at the bottom of each statement is the balance recorded in the last annual report.

A request was also made for the report on the Saskatchewan Canteen Funds Enquiry Commission of 1940. This investigation was conducted by the Hon. Mr. Justice Donald McLean and I have also here for distribution, if you so desire, the recommendations made by the commissioner which have been extracted from pages 28, 29 and 30 of his report. In addition, I have copies of a letter received by the department from the office of the premier of the province of Saskatchewan, dated July 12, 1940, referring to the enquiry and indicating the steps taken by the Saskatchewan government to implement the recommendations.

I have also with me one copy of the complete report of the commissioner. It is the only one available in the department. If it is desired, I should be glad to place it on the table, but would ask, Mr. Chairman, if it is proper, that instructions be issued for its return to the department after it has served its purpose before the committee.

In addition, I have with me the several yearly reports from the different boards which were submitted to the Minister of Pensions and National Health in accordance with the terms of the Acts. If any of these are required, I should also like that they be returned to the department after they have served their purpose.

The CHAIRMAN: With regard to the documents that Mr. Dixon would like to have returned, I would suggest that they might be left with the secretary of

the committee, and any member of the committee who would like to peruse them will have the privilege of doing so; then at the end of the sittings of the committee the documents could be returned to Mr. Dixon. Does that meet with the approval of the committee?

Mr. GREEN: Are they too long to be printed?

The CHAIRMAN: Yes. I would think they would be too long for that.

Mr. DIEFENBAKER: Could not the recommendations of Mr. Justice McLean be printed?

The WITNESS: They are available, if you wish it.

The CHAIRMAN: Yes. I was just referring to the report of the committee.

Hon. Mr. MACKENZIE: It is fairly long.

Mr. DIEFENBAKER: What I had in mind was the report.

Hon. Mr. MACKENZIE: That is the entire report?

The CHAIRMAN: A copy of the entire report will be left with the secretary.

The WITNESS: There are also the annual reports of the various provinces.

The CHAIRMAN: The annual reports of the various provinces will be left with the secretary, and they can be perused by any member of the committee at any time convenient to the secretary and the members of the committee.

Mr. GREEN: Could not the recommendations contained in that report be printed?

The CHAIRMAN: Yes. The recommendations of Hon. Mr. Justice Donald McLean have been printed and will be distributed to members of the committee.

Mr. CASTLEDEN: And also the report from the premier of the province of Saskatchewan?

The CHAIRMAN: The letter from the premier of the province of Saskatchewan could also be distributed.

Mr. CASTLEDEN: Yes.

The CHAIRMAN: Then, gentlemen, we understand that the report of the Hon. Mr. Justice Donald McLean, commissioner, and the annual reports from the various provinces, which extend over a period of years, will be left with the secretary and will be available for all members of this committee; and at the end of the committee sittings they will be returned to Mr. Dixon.

Mr. ISNOR: In connection with inquiries made by other members, I made one in connection with Nova Scotia as to the disposal of the balance relating to the province of Nova Scotia. I think Mr. Dixon was going to report on that.

The CHAIRMAN: Just one moment. Mr. Dixon informs me that he has finished the prepared statement he had, and he will be glad to answer any questions that any member would like to ask. Mr. Isnor is asking him in regard to Nova Scotia.

The WITNESS: On page 3 of the statement which has been distributed it will be noted that the Nova Scotian canteen committee had, on October 15, 1941, available from the original allotment of \$136,094.16, Cash, \$753.79. Showing among the assets was a special loan to *Legionary* of \$8,000 which is now down to \$2,000; balance of special loans as of the 31st March, 1941, \$7,492.63.

By Mr. Isnor:

Q. What did you call it?—A. Special loans.

Q. Loans? Would that be to the Legion?—A. To individuals, and bodies.

Q. Would they be secured by notes or some collateral?—A. That I cannot say, sir; I can give you details from the last annual report if you care to have them.

By Mr. Green:

Q. How many individuals were involved?—A. Eight.

The CHAIRMAN: Is Mr. Isnor through?

By Mr. Isnor:

Q. I think we should have something more definite as to this amount of \$7,492.63 which apparently was advanced to individuals. Were those individuals connected with some organization; how did they happen to have these advances made to them?—A. Under the terms of the Act I imagine that they must all have been returned men, veterans, otherwise they could not have received loans.

By Mr. Ross (Souris):

Q. Would they be loans for their own personal undertaking?—A. On that the department has no information.

Q. Would you have a list of the names of the individuals?—A. I have.

The CHAIRMAN: I see no objection to the names being given with the amounts owing.

The WITNESS: It is in the auditors' report: List of Loans due and outstanding, not including any interest charges: *Legionary* magazine \$2,000; C. E. Bent, \$1,737.63; original loan in 1926 was \$2,500; A. T. Croft, \$1,000, October, 1928, balance \$650; Clement W. Crowell \$450; loan made in 1931, balance \$340; Bernard Davidson, \$1,000; loan made in 1928, balance \$825; C. H. Harvey, \$240; loan made in 1928, balance \$40; Reserve Mines Branch, Canadian Legion, secured by first mortgage on Legion hall, \$500, January 13, 1939, balance \$500; J. S. Roper, \$3,400, loan made 1927, balance \$3,400. The total is \$9,492.63. I do not think that quite corresponds with the figures I have quoted.

The CHAIRMAN: You included the *Legionary* in there and you do not include the *Legionary* in the \$7,000.

By Mr. Ross (Middlesex):

Q. Could you give us an idea as to the procedure in obtaining those loans?—A. The department has no information.

Hon. Mr. MACKENZIE: It is entirely under the control of local trustees.

The WITNESS: Yes.

Hon. Mr. MACKENZIE: The provincial trustees.

By Mr. Isnor:

Q. Is that your complete list, Mr. Dixon?—A. Of Nova Scotia?

Q. That is what I am referring to.—A. As shown by the auditors in the statement sent to the Minister of Pensions and National Health.

Q. And that represents at the present time unpaid balances of \$7,500? What was the full amount advanced as covered by those loans in the first instance?—A. That would be impossible to determine from the annual reports which have been submitted.

Q. Roughly what would it show there as to the amount—the original amount was such and such and the balance at the present time is so and so. You gave us that information; could you give us the gross of the loans as shown on your report?—A. May I indicate that that does not represent all loans that were made during the activities of the canteen fund; these are the outstanding loans.

Q. What was the gross amount of those you have mentioned?—A. \$14,000 odd.

Q. On whose authority would those loans be made?—A. I would say on the authority of the board of trustees for the province; they had sole jurisdiction over the administration of the funds under the terms of the Act.

Q. What period would they cover as far as years are concerned?—A. The first one was made in December 1926, to C. E. Bent, and the last one was made

in January 1939. As I pointed out before these are only outstanding loans as at the time this report was completed, it does not represent loans made during the activities of the fund. There may have been many loans made before 1928 and 1929 which have been recovered.

By Mr. Ross (Middlesex):

Q. What is the procedure necessary to secure a loan?—A. On that I have no information; the administration was left entirely in the hands of the board of trustees.

By Mr. Cruickshank:

Q. Loans are not granted now, are they?

By Mr. Castleden:

Q. Are figures available for the total cost of administration?—A. As far as the reports would show I have put down, in this consolidation, figures which indicated the cost of administration, but, for example, if you will refer to British Columbia it will be seen that administration consisted of sundry expenses only. The provincial government provided the trustees with necessary funds to meet necessary expenses; in other places the provincial government provided office space.

Mr. CRUICKSHANK: And they had a good man administering it, too.

By Mr. Castleden:

Q. I have been looking at the statement on Alberta and I notice that in 1939 the major expenditures were \$6,854 and it cost them \$3,792 to administer that; in 1937 there were expended on relief \$4,733 and it cost them \$3,584 to administer that.

Mr. BLACK: The Yukon has a very small amount naturally on their cost administration. It is only \$56. The men that handle it get nothing for their services; they are all returned men with the exception of the Controller of the Territory.

By Mr. Cruickshank:

Q. Coming back to Alberta, what is the meaning of that figure 4,360 shares of General investments shown as an asset at a cost of \$109,450, now worth \$34,800; what does that mean?—A. Apparently that is a loss on the sale of investments.

Q. I do not quite understand the sale of investments; is that another loan?—A. No, money which was paid to the province was invested in certain securities and from time to time that investment was changed and other securities were purchased; the market value goes down and the fund stands a loss.

Q. In other words, instead of keeping \$109,000 in the bank in cash and distributing that it is invested in bonds or stocks?—A. Yes, unfortunately with a resultant loss.

Q. I suppose you have not got a record of who was in charge at the time this investment was made or who was the head of the corporation who kindly took this investment?

The CHAIRMAN: I am not sure if that is pertinent to the committee's function.

Mr. CRUICKSHANK: Why not? Those gentlemen may still be administering these things.

The CHAIRMAN: The reference to the committee is: "That a select committee of the house be appointed to inquire into the collection, custody, investment and control of certain moneys as under existing regulations and agreements accrue out of the profits arising from the operation of canteens and other auxiliary services and institutes for the benefit of the armed forces of Canada during the

present war . . ." Now, I think that it would be within the scope of the inquiry of this committee to go into the operations of the committees which distributed the canteen funds from the last war in order to enable us to come to a decision as to what should be done with the canteen funds in this war.

Mr. CRUICKSHANK: I do not suppose the matter is particularly important if for some reason or other they should not have the name; but for the sake of posterity or some other kind of "perity" I should like to know who sold them this investment.

The CHAIRMAN: It would not help the committee very much except to the extent that it might help us with regards to this war.

Mr. ISNOR: I was not so much interested in the names as I was in the policy that should and would exist under any new arrangement of policies looking after funds created through the canteens to be used for the benefit of the men.

The CHAIRMAN: I think questions with respect to policy would be quite in order.

Mr. ISNOR: To do that I think Mr. Cruickshank is not far wrong in suggesting that we should know something as to the authority which those who invested these funds had at the time, and if their authority was too large or too broad then we should safeguard future operations so as to prevent what apparently happened because of the outcome of these operations during the last period. It is definitely laid down in regard to certain trust companies as to how they shall invest their funds, and I believe it would be wise for this committee to consider and to make a recommendation along similar lines that funds be permitted to be invested only in certain types of securities. I think if that were done, Mr. Chairman, we would safeguard the future.

Mr. GREEN: Is there not a recommendation from the subcommittee that all the funds be handled by the dominion, so you would get away from the whole question of investments; is not that the recommendation?

The CHAIRMAN: I think the committee could ask the witness with respect to the operation of the fund since the last war and any policy that was adopted, and also we could get information with regard to what could be done with the funds from this war, more particularly in connection with this appendix F.

Mr. CRUICKSHANK: That is the point. Who had authority to make this investment?

The WITNESS: The provincial trustees had the sole authority under the terms of the Act.

By Mr. Cruickshank:

Q. Could they do anything they saw fit with the money?—A. Under the terms of the Act the money was paid to them, once they were appointed by the Lieutenant Governor in Council, to be administered by them, under the general terms laid down in the Act; but it will be noted that this did not necessarily restrict the activities of the board of trustees in disposing of the money.

Q. And the provincial committee was appointed purely by the provincial government?—A. All provincial boards of trustees were appointed by the Lieutenant-Governors of the respective provinces.

Q. That is the provincial government.

By Mr. Gillis:

Q. Is it not the responsibility of the provincial government to see that those outstanding loans are collected? For example, is it not the duty of the trustee to safeguard and take care of the funds?—A. When one or two matters came to the attention of the Minister of Pensions and National Health some years ago the department's position was referred to the Department of Justice to see what

action should be taken, and I will read an extract from a letter written by the Deputy Minister of Justice dated December 3, 1935:—

I have your letter of the 22nd ultimo in connection with the above noted matter and beg to advise you that in my opinion no legal responsibility rests on your minister regarding the matters referred to in the said letter. In my opinion the responsibility rests with the provincial authorities under the terms of the statute of 1925.

The money had been paid over to the province and the Justice Department decided that all the board of trustees had to do, to comply with the terms of the Act, was to send in an annual report to the minister showing the disbursements.

Mr. CRUICKSHANK: The provincial government assume the responsibility in all provinces and the only responsibility we assumed was to appoint competent men.

Mr. GILLIS: As I see the matter, if there is any indictment to be written against anybody in this country for the wrong administration of canteen funds, it is the provincial government. In this case there are \$7,492.63 outstanding by way of loans made by the trustees appointed by the provincial government. Those are loans. Some of them are collectable. I know the people personally and I am surprised to find this out, but it is the obligation of the provincial government to see that this money is returned.

Mr. CASTLEDEN: Would not that be borne out by the action of the Saskatchewan government? When they found out there had been misappropriation of the fund in that province they reimbursed the fund to the extent of \$40,000 from the provincial revenue.

The WITNESS: Correct.

Mr. GREEN: Looking at the general picture, apparently the larger sum of money was spent for relief across Canada, another large sum of money was spent for medical aid to the dependents, and then a large sum of money was spent for administration, and the other large items seem to be education and the grants to the Canadian Legion. Could you tell us anything about how much money was spent for education and about the grants to the Canadian Legion?

The WITNESS: I am afraid I cannot add very much to what is in that synopsis. The details in the annual reports are merely statements of the auditors; in some cases a few particulars from the trustees themselves.

Mr. CASTLEDEN: I am particularly interested in education. I would like to know how the money was used for education, because I think there is a very good field there for the money.

Mr. MACMILLAN: Only 6 per cent of the total was spent for education.

Mr. GREEN: Only in Ontario and Manitoba.

The CHAIRMAN: I might remind the committee that a representative of the Legion will be asked to appear before the committee and he might give us some information in connection with the question asked by Mr. Green, with respect to the expenditures of the moneys given to the Legion; and also the committee decided, you will recall, to ask Major Lewis, who is secretary-treasurer of the Ontario fund, to appear before the committee and he, no doubt, will give information with regard to the expenditure of money in the province of Ontario. We took that province because one of the largest grants was made there, and he would have the widest experience as a provincial trustee.

Mr. GREEN: Could we find out something about the Manitoba expenditures? They seem to have been pretty carefully worked out. There is quite a large expenditure for education. Is there anyone who could tell us how the money was spent in Manitoba?

Mr. ISNOR: I understand theirs was a satisfactory arrangement covering a period of 25 years; they set up a trust fund.

Hon. Mr. MACKENZIE: We could call witnesses down if necessary.

The WITNESS: In that connection, in Saskatchewan in which province, you will note, there is no amount paid for education, I believe there was an Act permitting grants for the education of veterans' children. As a matter of fact, after that Act had been in existence for a few years the Canteen Fund Board of Alberta was requested by the provincial government to administer a grant which the provincial government made of \$10,000 for the education of veterans' children, pending the passing next year of an Act to assist in the education of veterans' children.

Mr. GREEN: In other words, the money was put up by the Alberta government, but the spending of the money for education was left in the hands of the Canteen Fund Committee.

The WITNESS: Prior to that Alberta had spent some money on the education of children as had other provinces.

Mr. ROSS (*Souris*): With regard to Mr. Green's question, it should be more efficiently handled in Manitoba, and I wonder if Colonel Cairns might tell us something on that matter. He might enlighten Mr. Green.

The CHAIRMAN: If Colonel Cairns would like to make a statement now with regard to the administration of the fund in Manitoba we shall be glad to hear him.

Colonel CAIRNS: Well, sir, I would rather wait. May I say that Colonel Deacon is one of the trustees of the Manitoba fund.

The CHAIRMAN: We will ask Colonel Deacon about this later on.

Hon. Mr. MACKENZIE: With regard to the names mentioned in Nova Scotia, I know nothing of the details, but there might be a possible injustice there. In Saskatchewan there was definite misappropriation in some cases, but I think it would be rather unfair, without the details to suggest that anything was wrong. Those loans may have been given these men for ex-servicemen work.

The CHAIRMAN: Yes, I think also it should be pointed out that in Saskatchewan, as I understand it, there was misappropriation of funds by the trustees themselves, and the trustees were appointed by the provincial government. In the province of Nova Scotia there is no suggestion of that whatsoever. In the province of Nova Scotia certain loans were made to certain people who I understand are well known men and who were not trustees of the fund. So there is an entirely different situation in Nova Scotia.

Mr. GREEN: Do I understand the minister to suggest that even some of these loans may have been for the purpose of passing it on?

Hon. Mr. MACKENZIE: I do not know; I think it is only fair to have the details.

Mr. GREEN: It might be an unfair conclusion to draw.

The CHAIRMAN: I think it should be noted that there is no suggestion of anything improper in connection with these loans. It was the policy of the trustees in that province to make loans to individuals and some of those loans have not been repaid.

Mr. ISNOR: I want to make that very clear as one coming from Nova Scotia; I had no thought of suggesting there was a misappropriation of funds or anything like that. I thought we should have a list such as was provided us of amounts covered by those loans. In connection with those loans I want to follow the answer given by Mr. Dixon when I asked as to the period over which these loans were made. Practically the entire amount was loaned from 1926 to 1928, a total of \$11,398 was loaned in that period. Is that correct?

The WITNESS: I did not quite get your question.

MR. ISNOR: The loan of \$11,398, as I understand, was made during the period 1926 to 1928?

MR. BLACK: It cost \$11,806 to administer.

THE WITNESS: Between 1926 and 1939?

By Mr. Isnor:

Q. Will you look on page 3 for Nova Scotia where the period is given as 1926 to 1928?—A. The first report made by the Nova Scotia board of trustees shows the amount paid on account of sickness including dependants, \$12,189.57; amount paid for support of t.b. cases in Nova Scotia sanatorium \$14,953.34; temporary unemployment relief, \$43,741.30; special loans \$11,397.17. That is the figure referred to in the condensed statement.

Q. Yes, they cover, I say, a period between 1926 and 1928—two years; that is your own report?—A. They could have been made between January 26, 1926, and March 31, 1928.

MR. CRUICKSHANK: I would like to know when this investment in Alberta was made; what year; there must be a record of it?

THE WITNESS: I must confess, Mr. Chairman, that I am not a chartered accountant and I cannot interpret some of their reports.

MR. CRUICKSHANK: No doubt the information can be secured. I think it is vitally important to know when that investment was made.

THE CHAIRMAN: I understand these reports are to be filed with the secretary and Mr. Cruickshank or any other member can look at the reports.

MR. CRUICKSHANK: Mr. Chairman, that does not say those details are in there. We will put it another way. We will say that a company—and I am not referring to this company—has gone into default like a certain province is in default on its bonds. Would it be consistent, for the sake of an investment like this in a trust, if they were able to buy those defaulted bonds? The date is of vital importance, as to when this investment was made to that end. I still maintain it is of vital importance to know who the principals concerned were. They may, for all we know, be in a position now to act in a way that will be embarrassing to the trust fund of the new canteen funds of the new war. I do not see any reason why we should not have all the details, and I want to know. When you have investments in trust funds that drop off that much in apparently two or three years, I do not see any reason why we should not have the details. It is of vital importance that the date of this investment be given, in my opinion. I should like to have the information.

MR. McCUAIG: I think the most serious thing is that they have invested so much money in the one place.

MR. CRUICKSHANK: That is the whole thing.

MR. ROSS (*Middlesex*): What you fear is that these gentlemen may still be acting as executors?

MR. CRUICKSHANK: Yes. They may be making recommendations as to the canteen funds of this war. As has been pointed out, anybody who would invest that amount of money out of a sum of that size, in other than dominion government bonds, will bear scrutiny. It looks to me as if it is a situation that should be investigated.

THE CHAIRMAN: I think that Mr. Dixon could get the names of the trustees of the various provinces and the periods of time in which they acted as trustees.

MR. CRUICKSHANK: And when this investment was made. Surely there must be a record of when the investment was made. I do not think they would throw around \$109,000 without putting it down in the books somewhere.

THE CHAIRMAN: Can you get the names of the trustees?

The WITNESS: Yes.

Mr. CRUICKSHANK: I do not suppose there would be a record there. I will probably have to go to some other branch to get a record of that. I want to know if they are Tim Buck, Hitler or who they are.

Mr. MACDONALD: (*Halifax*): Did the Alberta Act authorize investment in funds that were not trustee investments?

The CHAIRMAN: I will ask Mr. Dixon to answer that.

The WITNESS: There was no act. There was an order in council appointing the trustees to administer the canteen funds allotted to them by the federal government.

By Mr. Marshall:

Q. When were those trustees appointed?—A. They were appointed shortly after the funds were paid to them in 1926. The only delay was in Ontario where it was done in 1927; they delayed the appointment of trustees until some one connected with the provincial government of Ontario had gone to England. He wanted to examine into the method of administration of United Services Funds over there, and so they delayed the appointment of trustees until 1927 when they laid down certain regulations.

Q. Have you any knowledge as to that board of trustees which was set up in 1927? Have you any knowledge as to what changes have taken place in the personnel of the trustee board since that time?—A. The originals were Major-General V. A. S. Williams, C.M.G., Chairman; Lieutenant-Colonel Bertram O. Hooper, D.S.O., M.C.; Captain W. S. Haney, M.P.P.; Captain John Jules Ferry; Mr. Percy T. Bould.

By Mr. McLean:

Q. Are those the trustees for Alberta?—A. For Ontario.

Mr. MARSHALL: When was Colonel Scott appointed, the chairman of the board at the present time?

The CHAIRMAN: Is Mr. Scott chairman of the Ontario board now?

Mr. MARSHALL: No, of the Alberta board.

The CHAIRMAN: You are getting these confused, I think, Mr. Marshall.

By Mr. Marshall:

Q. You are talking of Ontario?—A. Of Ontario.

Q. I was talking about Alberta. I was wondering as to the personnel of the board in Alberta in 1927. Have you the names of the board?—A. Lieutenant-Colonel W. G. Macfarlane, chairman; Dr. G. H. Wade; and Mr. G. W. Waistell.

Q. Have you any knowledge of the changes of personnel and when those changes took place?—A. The board of trustees in the last report in 1941 was: Lieutenant-Colonel L. Scott, D.C.M., chairman; Canon G. G. Reynolds; Dr. G. H. Wade. In the last letter to the Minister of Pensions and National Health I note:—

The board much regrets to have to record the loss of a valued member, by reason of the death of Captain the Rev. Canon G. G. Reynolds, which occurred in 1941. To fill the vacancy thus caused, Lieutenant-Colonel Edward Brown, Commandant of the Edmonton area, has been appointed to the board.

By Mr. McLean:

Q. I wonder if the witness happens to know whether the terms of the Alberta order in council appointing the trustees defined the powers and the class of investment in which they might invest their funds?—A. I have not copies of the orders in council with me, but I can have them submitted, Mr. Chairman.

Mr. CASTLEDEN: Might I point out that with regard to the Saskatchewan report tabled here—

The CHAIRMAN: Just one moment. I wonder if it would help any if we could stay with one province at a time as much as possible instead of jumping around from province to province.

Mr. MARSHALL: For the information of the other members of the canteen committee, I might say that I have asked Honourable Mr. Mackenzie to supply me with a complete record of all these statements right from the beginning down to the present, and he promised to give them to me, with the purpose of making a complete synopsis as to the situation and with respect to these investments in the province of Alberta. When I get that synopsis, I propose to lay the complete facts with respect to this investment which has been made before the committee and place it on the record which is being made for the committee.

Mr. CRUICKSHANK: Who is it that is going to do that?

Mr. MARSHALL: I am going to give the members of the committee a complete statement.

Mr. CRUICKSHANK: But you mentioned a name—the provincial treasurer or something.

Mr. MARSHALL: No; Mr. Mackenzie here—the Honourable Mr. Mackenzie.

Mr. CRUICKSHANK: The minister?

Mr. MARSHALL: Yes.

Mr. CRUICKSHANK: I am willing to leave Alberta—and I do not blame it—blushing unseen, if I am given assurance from the chair that I am going to have the date when this investment was made, with the names of the trustees of the board.

The CHAIRMAN: Whatever information is given to the committee, Mr. Cruickshank, will be available to all members of the committee.

Mr. CRUICKSHANK: That is not an answer. I do not see why there should be any evasion. I am not suggesting that you are evading, Mr. Chairman. But this is a question of the whole set-up, as I see it. I frankly admit that I am surprised that the information is not available readily. Here is one of the largest investments made throughout the Dominion of Canada, millions of dollars spent, and apparently there is no record of it. Obviously it would be available to me if it is available to any member of the committee, because I will ferret it out somewhere. But I do not see any reason why we should not be given the assurance that the date when the sum of \$109,000 was invested will be given to us, and who was in charge and made that investment.

The CHAIRMAN: The only thing I would suggest is this. I have no information myself and cannot give it to the committee. I understand that Mr. Marshall is getting certain information. If the information which he gives to the committee does not contain the information you would like to have, then the committee will decide whether it is advisable to obtain further information. I do not think we can gain anything by going over this now until Mr. Marshall lays on the table of the committee the information which he has gathered. I think all members of the committee want to get as much information as possible. The only thing I brought to the attention of the committee was the fact that we were not constituted to investigate what took place in connection with canteen funds of the last war. However, I think we should go into the administration of canteen funds in the last war in order to lay down policies as to what should be done with regard to canteen funds from this war. But if we investigate the expenditure of funds from the last war, I am afraid we will not accomplish the purpose for which we were constituted. So if the members of the committee

will try to keep in mind the fact that our main object is to bring about a satisfactory policy for the administration of funds from this war, I believe we shall make more progress.

By Mr. Castleden:

Q. Could we get a report, or a balance sheet for the province of Saskatchewan? It is the only one that is not included in the list of those provinces which have funds left.—A. It will be noted that the inquiry was conducted in 1940 when there were no funds. The funds were exhausted.

Q. But the province has reimbursed them and set up a new committee. There are three new trustees and \$40,000 of trust funds is available, according to the report.—A. The minister has just received from Saskatchewan a report for the year ending March 31, 1942, and it is available here.

Mr. CASTLEDEN: Yes. Before we adjourn, may I say that I understood there was a report to be made from the 1942 B.E.S.L. convention which was held in Winnipeg. Was there a committee to recommend on canteen funds?

The CHAIRMAN: We expect there will be a representative of the Legion who will appear before the committee and present his own report and any recommendations which were adopted by the convention.

Mr. CRUICKSHANK: Arrangements are being made, I presume, to have the representatives of the rank and file here before you?

The CHAIRMAN: That is the desire of the committee, as I understand it, expressed at the last meeting.

Mr. CRUICKSHANK: May I also suggest—not that I want them to appear before us—that I should like to know how the funds in the new women's army are to be handled. That may be something that was discussed when I was not present, but I should like to know that, because it is growing into a very big thing. I should like to know how they are handled. Are they handled by the same people?

The CHAIRMAN: I think Colonel Cairns and Colonel de Lalanne will be able to give us that information at a later meeting.

Now, gentlemen, it is just 1 o'clock. Mr. Dixon has answered all the questions that you have asked him to-day. Probably some of the members would like to ask questions regarding the recommendations set forth in his report, and they can do that at the next meeting.

The committee adjourned at 1 p.m. to meet again at the call of the chair.

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(SESSION 1942)

HOUSE OF COMMONS

(SPECIAL COMMITTEE

ON

(CANTEEN FUNDS)

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

TUESDAY, JUNE 9, 1942

WITNESSES:

Mr. J. A. Marshall, M.P.

Mr. A. J. Dixon, Chairman of Subcommittee on Administration of Special Funds, Department of Pensions and National Health.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

Tuesday, June 9, 1942.

The special committee appointed to deal with the disposition of Canteen Funds met this day at 11.30 o'clock a.m. The chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Castleden, Diefenbaker, Fauteux, Gillis, Green, Jackman, Macdonald (*Brantford City*), MacKenzie (*Neepawa*), Mackenzie (*Vancouver Centre*), Macmillan, Marshall, Ross (*Middlesex East*), Ross (*Souris*), Sanderson, Turgeon, Wright.

In attendance: Paymaster Captain J. O. Cossette, R.C.N., Deputy Advocate General of the Fleet; Colonel E. A. Deacon, Director of Auxiliary Services with Lt.-Col. A. Cairns; Lt.-Col. J. A. de Lalanne, President of the Regimental Funds Board with Major Georges Garneau; Air Commodore A. Nairn, Air Member for Accounts and Finance with Group Captain J. M. Murray, Deputy Air Member and Flight Lieutenant J. M. Wynn, R.C.A.F.; Mr. H. G. Norman, Department of National Defence for Air; Mr. Robert England, Executive Secretary, General Advisory Committee on Rehabilitation; Mr. A. J. Dixon, Chairman of the Subcommittee on the Administration of Special Funds with Mr. A. M. Wright, Director of Rehabilitation, Department of Pensions and National Health.

Before proceeding with the witnesses present, the chairman informed the committee that the following reports had been filed with the Clerk of the Committee and were available to the members for their information.

Filed by Lt.-Col. J. A. de Lalanne, President of the Regimental Funds Board:—

1. Report concerning appointment of District Audit Officer, Military District No. 6.
2. Report concerning Agreements between National Organizations and Dominion of Canada for operation of Canteen during the Great War 1914-18.
3. Report concerning Staff Officers and Other Ranks employed on full-time duty by Regimental Funds Board or on District Audit staffs—as at 25th May, 1942.

The chairman then called Mr. A. J. Dixon, Chairman of the Subcommittee on the Administration of Special Funds, Chief Administrative Assistant of the Department of Pensions and National Health, to take the stand in order to resume from Tuesday, June 2, the adjourned examination of the witness.

Mr. J. A. Marshall, a member of the committee, asked, and was granted, permission to place before the members certain information concerning the Administration by the Trustees in Alberta of the Provincial Canteen Funds. During Mr. Marshall's address questions were put to him and to Mr. Dixon.

Before adjournment the chairman announced that Major Alex C. Lewis, K.C., Secretary-Treasurer of the Ontario Provincial Board of Trustees, would be called to give evidence at the next sitting and that his examination would be followed with the resumption of Mr. A. J. Dixon's examination.

At 1.00 o'clock p.m., the committee adjourned to meet again on Thursday, June 11, at 11.30 o'clock a.m.

ANTOINE CHASSÉ
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

June 9, 1942.

The Select Committee on Canteen Funds met this day at 11.30 o'clock a.m. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: The members of the committee will recall that Colonel de Lalanne said he would file certain reports with the committee. These have now been filed with the secretary of the committee. They consist of the District Audit Office, Military District No. 6. That is the report of the District Audit Office, Military District No. 6, and contains the recommendation for the appointment of Lieutenant R. B. Bambrick as district audit officer originating in Military District No. 6; also the agreements between the national organizations and the Dominion of Canada for operations of canteens during the great war 1914-18; also the report of the staff officers and other ranks employed on full time duty by regimental funds boards or on district audit staffs as at the 25th May, 1942. These are all filed with the secretary of the committee and any member of the committee may see them.

The members of the committee will recall that at the last meeting Mr. A. J. Dixon, chairman of the subcommittee on administration of special funds, Department of Pensions and National Health, was our witness, and he is here again to-day and we shall call him.

Mr. A. J. Dixon called.

Mr. MARSHALL: Mr. Chairman, before we go on with the general examination of Mr. Dixon with regard to the operation of the canteen funds I would like to have your permission and that of the committee to answer some of the questions which were asked by Mr. Cruickshank at the last meeting of this committee. On page 129 of the minutes of evidence of the special committee on canteen funds Mr. Cruickshank asked this question:—

Q. Coming back to Alberta, what is the meaning of that figure 4,360 shares of general investments shown as an asset at a cost of \$109,450, now worth \$34,800; what does that mean?—A. Apparently that is a loss on the sale of investments.

Then on page 133 Mr. Cruickshank came back to this matter and asked this question:—

Mr. CRUICKSHANK: I would like to know when this investment in Alberta was made; what year; there must be a record of it?

And Mr. Dixon answered:—

The WITNESS: I must confess, Mr. Chairman, that I am not a chartered accountant and I cannot interpret some of their reports.

Mr. Cruickshank then said: "The date is of vital importance, as to when this investment was made to that end. I still maintain it is of vital importance who the principals concerned were."

And then on page 135 Mr. Cruickshank said: "I am willing to leave Alberta—and I do not blame it—blushing unseen, if I am given assurance from the chair that I am going to have the date when this investment was made, with the names of the trustees of the board."

Now, Mr. Chairman, with your permission and with the permission of members of the committee I would like to make a brief statement with reference to the operations of the canteen fund in the province of Alberta. I promise you I shall not be very long, but I think it is necessary in the light of the questions which were asked by Mr. Cruickshank.

On March 15, 1926, the then government of Alberta headed by the Hon. J. E. Brownlee set up a board of trustees consisting of Lt.-Col. W. G. Macfarlane, Dr. G. H. Wade, and G. W. Waistell. Now, Mr. Chairman, all the information which I intend to give you this morning will be found in this report which is in the hands of the Minister of Pensions and National Health. This committee was set up on March 15, 1926, and received from the dominion government \$178,496.47 made up as follows:—

Province of Alberta, 4½% bonds.....	\$40,000 00
City of Edmonton, 5½% bonds.....	15,000 00
City of Calgary, 4½% bonds.....	11,193 33
City of Calgary, 4½% bonds.....	3,893 33
1st Mortgage, Memorial Hall, Hanna, Alberta, 6%	5,000 00
Dominion of Canada, 5½% bonds.....	1,000 00
Canadian Pacific Railway, 4½% bonds.....	2,000 00
2nd Mortgage on Memorial Hall, Hanna, Alberta	2,500 00
Canada Permanent Mortgage Corporation, 5½% bonds.....	50,000 00
Cash in Bank of Montreal.....	16,036 51

Mr. MACKENZIE (*Neepawa*): What date was that?

Mr. MARSHALL: That is dated, I think, around April 12, 1927.

Mr. MACKENZIE (*Neepawa*): According to this statement the original allotment was in 1926.

Mr. MARSHALL: If you will add the first two amounts, \$157,000 and \$20,000 odd you will get the total of \$178,496.47.

There is on record here a certificate from the Bank of Montreal verifying the securities which were held in safekeeping by them. Now, we come along—we skip the year 1929; but we come to the year 1930. In 1929 there was added to this portfolio of securities City of Medicine Hat, 6½ per cent bonds worth \$10,000. Then, in 1930, there appears on the file a statement made by the chairman of the canteen board—it is not signed—it is initialled—and at the end of this statement appears this paragraph:—

The auditor's report which is appended hereto as a supplement will give full and complete survey of the board's financial transactions during the past four years as well as showing the state of the fund at the date of this report.

It is significant to note that these financial statements are missing from the file; I am, therefore, unable to check these financial statements; and the auditor's report with respect to the operations of the committee of that particular year—

Hon. Mr. MACKENZIE: What year was that?

Mr. MARSHALL: That was the year 1930; and I would like if it is possible, to obtain this statement and report.

I turn to the report for the year 1931. This is signed by the chairman, Mr. G. W. Waistell, G. H. Wade, and T. C. Sims, V.D. On page 5 of this report there is the following significant paragraph:—

It will be noted at the beginning of this report that there has been a change of the personnel of the Alberta Board of Trustees which it is advisable should receive suitable comment herein.

After over five years' service as chairman of the board, the resignation of Col. W. G. Macfarlane was tendered and accepted by Premier J. E. Brownlee of Alberta, on June 5, 1931. The strain of these years, both in a business way as well as his chairmanship of the board, in which he personally supervised all financial and administrative affairs, made a particularly heavy drain upon his time and health. The transactions of the board were, throughout all these years, conducted in Col. Macfarlane's own business offices, and as a result, day in and day out, he was at the call of every applicant who might demand an interview with him. When it is realized that the personal calls of applicants since the beginning of the present year 1931 has ranged from 30 to 75 per day (of which definite record has been preserved) such figures will indicate the enormous effort which he was called upon to exercise, resulting in the almost complete extinction of what was formerly a flourishing bond brokerage and trustee business.

On June 5, 1931, Premier J. E. Brownlee appointed Mr. G. W. Waistell of Edmonton, one of the original members of the board as chairman; and Lt.-Col. T. C. Sims, V.D., was appointed to fill the vacant seat created by the foregoing moves. Dr. G. H. Wade of Hanna, also one of the original members still retains his seat on the board.

Then there was added something which does not deal exactly with the matter I am now discussing—and there is also in the same report this paragraph:—

With the commencement of the fiscal year 1930-31 an effort was made to administer the Education of Soldiers' Children Act at the request of the government of Alberta and in order to see that every cent of the legislative vote of \$10,000 should go to the benefit of the children the fund undertook to pay for the administration of the Act for the first year of its lifetime.

In other words there was an additional amount of \$10,000 which was to be used in the education of soldiers' children. Now, it is rather interesting to note that the securities held at this particular time consisted of the following: Hanna Memorial Mortgage, \$3,250. Evidently the mortgage which was for an original amount of \$7,500 had been reduced to \$3,250. Then there was Canada Permanent Mortgage Corporation Debentures now shown as \$20,000 and they were originally \$50,000. Then there were the following: New investments, 90 shares of Canadian General Investment Trusts Limited \$9,450 or \$105 a share; 1,000 shares of Second Canadian General Investment Trusts Limited, \$100,000. This constituted the portfolio securities which were held by the board at that particular time. The only conclusion I can come to, Mr. Chairman, is that the securities which were held in 1927 for the most part were disposed of, the funds reinvested in a company known by the name of Canadian General Investment Trusts Limited, 90 shares, I assume, in First Canadian General Investment Trusts Limited and 1,000 in the Second Canadian General Investment Trusts Limited.

If members of the committee require to know and wish to get some information with respect to this Investment Trusts Company, they will find it on page 157 of the Survey of Corporate Securities published by the *Financial Post*. There you will learn that the Canadian General Investment Trusts Limited was incorporated in the year 1930 and has now as its chairman and

president, and I understand that he was chairman and president when the company was incorporated in 1930, the Hon. Arthur Meighen. I see no record of a second General Investments, but I do see a third Canadian General Investment Trusts Company which is under the chairmanship of the same gentleman. Now, the only conclusion I can come to, because there is no evidence to show that what I have to say is what actually did happen—the only conclusion I can come to is that either the board on its own initiative sold the shares and reinvested the money in Canadian General Investment Trusts or they had the full sanction of the Alberta government—there is nothing to show. Either Mr. Macfarlane and his board went down to Toronto and conferred with Mr. Meighen or perhaps Mr. Meighen came up to Edmonton or perhaps it was done by correspondence.

Mr. GREEN: Have you any evidence to support that statement?

Mr. MARSHALL: No.

Mr. GREEN: Why do you make a statement like that then?

Mr. MARSHALL: I said "perhaps".

Mr. GREEN: Are you trying to make a political issue out of this?

Mr. MARSHALL: No, I am not; I am simply making the statement that this is what the records actually show, and that the company has been incorporated and is being operated by the Right Honourable Arthur Meighen.

Mr. GREEN: Why did you say that Mr. Meighen was implicated at all?

Mr. MARSHALL: I could not say—

Mr. GREEN: Do you think it is fair to make a statement of that type?

Mr. MARSHALL: I am making the statement that in some way or another the shares of the company—the shares or securities which were held by the board of trustees in 1927 were disposed of and in some way reinvested in this Canadian General Investment Trust corporation.

Mr. GREEN: What has that got to do with Mr. Meighen? Many people invested in those shares.

Mr. MARSHALL: I am trying to find out who has been operating this.

Mr. GREEN: Are you questioning the propriety of the investments; the good faith of the people who made the investments?

Mr. MARSHALL: I am not making any statement on that; I am simply allowing the record to speak for itself.

Mr. GREEN: You are making an inference.

Mr. MARSHALL: I am making the statement and allowing the record to speak for itself.

Mr. GREEN: What is the point?

Mr. MARSHALL: I am coming to that.

Mr. JACKMAN: This is another matter of fact which I think the hon. member is mistaken about. He inferred that Mr. Meighen is now president of the company, according to the 1930 charter which he read I believe a man named W. W. Evans was president in 1927 and I think, probably, chairman of the board at that time. I think if Mr. Meighen had any connection with the company then it was probably as vice-president.

Mr. MARSHALL: I do not know what position he held in 1927, but I do know he is president at the moment.

Mr. GREEN: Mr. Chairman, on a point of order, I think we should know whether the hon. member is imputing motives to these trustees, or what he is trying to get at. It is easy enough to make a lot of statements which some people might interpret in a way adverse to somebody else, but I think we should know whether the hon. member is questioning the good faith of the trustees. If he is not questioning the good faith of the trustees then, I think, this matter should not be pursued in the way in which he is pursuing it.

Mr. DIEFENBAKER: Particularly when the conclusion at which he arrives is based upon his own imagination. As he says, he has no information to support it.

The CHAIRMAN: As I understand the matter, at the last meeting some question came up with respect to the administration of the fund in Alberta. I do not know whether it was definitely stated, but at least it was intimated that there was defalcation there and that improper investments were made.

Mr. GREEN: I want to know whether he is charging anything improper.

Mr. MARSHALL: No, I am not charging anything.

Mr. GREEN: I want to know whether the trustees acted in good faith. I do not know these men but I presume they are responsible citizens appointed by the Alberta government, but they should not be lightly attacked by innuendo or in any other way in this committee unless a member is prepared to back that up. For somebody to make a statement that these men might have been crooked is not good enough for a parliamentary committee.

The CHAIRMAN: I do not think it should be suggested that there was any bad faith. Mr. Marshall himself says there was not, but there was a switch of a very large amount in investments from one company to another and a member of the committee has stated who was the president of the company to which the investment was switched.

Mr. GREEN: He has gone further than that. We want to know whether he is alleging that these trustees acted wrongly or not.

The CHAIRMAN: I asked him if he alleged that they had acted wrongly. He said he is making no allegations.

Mr. GREEN: He had better not pursue a line of that type.

Mr. TURGEON: May I make a suggestion. I know of the purpose of this only from the reading of the questions asked by Mr. Cruickshank, and Mr. Marshall has mentioned that perhaps somebody went to Edmonton or perhaps somebody on behalf of the trustees went to Toronto. That is all I know of the case. But I was wondering whether Mr. Dixon has any correspondence in connection with the transfer of the securities by the trustees from their old portfolio—to use Mr. Marshall's term—to the new portfolio?

The WITNESS: It appears on the department's file in a letter from Mr. Waistell—following Colonel Macfarlane's resignation he was appointed chairman—it appears that the transaction occurred some time in the summer of 1928. That is the only definite information as to the date that there is on the file.

By Mr. Turgeon:

Q. Is there a good deal of correspondence?—A. No, it was a copy of a letter which arrived in the department which indicated that the transaction had occurred in 1928?

Q. Who signed the letter?—A. It is by Mr. Waistell who had been then appointed chairman of the board following the resignation of Colonel Macfarlane.

Mr. MARSHALL: That could not have been 1928.

The WITNESS: The letter was written in 1931.

The CHAIRMAN: 1931?

The WITNESS: The letter was written in 1931. It reported the transaction as having occurred in 1928.

Mr. DIEFENBAKER: Could we have that letter instead of the interpretation of Mr. Dixon—the actual letter?

The WITNESS: Shall I read part of it?

The CHAIRMAN: If it is the wish of the committee.

Mr. TURGEON: If there is any correspondence it might clear up some of this matter.

The CHAIRMAN: Is it a long letter?

The WITNESS: It is a 7-page letter.

Mr. MACKENZIE (*Neepawa*): Why not allow Mr. Marshall to finish?

Mr. ROSS (*Souris*): Mr. Marshall has apparently made statements based on his imagination, and if we do not clear this up it places people outside of this committee in a false light. It is not the duty of a parliamentary committee to talk about people simply because you imagine something.

Mr. MARSHALL: I shall welcome the reading of the correspondence because I do not know anything—

Mr. GREEN: The hon. member should withdraw his statement. He said either somebody went to see Mr. Meighen in Toronto or Mr. Meighen went to Edmonton or Calgary and saw somebody there. He says he does not know whether that happened. It is a plain case—it is that sort of case that should not be made in a committee of this type, and I submit it should be withdrawn unless he can back his statement up.

Mr. MACMILLAN: May I ask if this is within the terms of our reference?

The CHAIRMAN: It is not definitely within the terms of our reference to investigate the administration of canteen funds of a former war, but I have ruled that we can inquire into the administration of the funds in so far as it might help us to come to a conclusion as to how those funds should be administered in this war. Now that Mr. Marshall has gone this far I do not want to stop him now. I suggested that this procedure should not be followed at the last meeting, but the committee felt it should, and I do not think I should stop it now. If the committee desires the letter to be read I shall ask Mr. Dixon to read it.

Mr. MACMILLAN: Under the terms of our reference we are appointed to recommend and report to the Minister of National Defence concerning the collection, custody, investment, control and utilization of matters accruing from the profits of canteens. I take it that that means at the present time.

The CHAIRMAN: I quite agree, Dr. Macmillan, but as I said, if it is going to assist the committee, to make an inquiry into the administration of the funds in one province, in order to assist it to come to a conclusion as to how the funds should be handled in this war I shall rule that the committee make that inquiry.

Mr. DIEFENBAKER: Surely that does not allow a member of the committee to make an insinuation based upon no fact or information or knowledge?

The CHAIRMAN: I think that is quite right. I think Mr. Marshall has stated that he did not intend to make any insinuations.

Mr. GREEN: He has made the insinuations. I submit those insinuations should be withdrawn unless he has something to back them up with.

The CHAIRMAN: I think Mr. Marshall would go so far probably as to say that if he did make any insinuations he did not intend to do so.

Mr. MARSHALL: Certainly. The only purpose I had in mind is to answer the questions asked by Mr. Cruickshank in the last meeting.

Mr. JACKMAN: While you have ruled on this matter, surely if we want to arrive at an understanding of sound investment principles concerning canteen funds it is necessary to explore the history of former provincial canteen funds. Everyone must know that there is a proper medium through which canteen investments can be made. Surely it must be confined to trustee investments in view of the experience of everyone in the last ten or fifteen years, and perhaps those trustee investments should be confined to securities of the Dominion of Canada rather than to provincial bonds, some of which paid only half the interest. Surely we can obtain some evidence as to what would be a proper investment procedure for the canteen funds in the future without spending endless

time going into what has happened in the past. I do not know about this Alberta situation; but it is common knowledge, of which I have only the barest information, that some of the canteen funds were not what you call wisely invested. I suppose there was an endeavour on the part of the people administering these funds to get a 6 per cent rate as against something lower on trustee securities and if they have suffered by it why that is a lesson which has been learned. I think we all know now that there is a certain security afforded by trustee securities over securities which give higher yield, but I think we can arrive at that conclusion from evidence which is much more easily obtained than by going into the history of what has happened in the past.

Mr. CASTLEDEN: Mr. Marshall's intention was to clear up something at the bottom of the report on Alberta on page 9, "the 4,360 shares of Canadian General Investments shown as an asset at the cost value of \$109,450 are, according to the chartered accountant's letter, worth \$34,800 against which the province of Alberta has advanced \$47,865."

That is the item that caused the discussion at our last meeting, and Mr. Marshall was trying to explain that.

Mr. ROSS (*Souris*): May I ask if Mr. Marshall has withdrawn his vague statement about whether somebody may have gone to Edmonton or have come to Toronto?

Mr. MARSHALL: Yes.

Mr. TURGEON: I think we should have the correspondence read.

The CHAIRMAN: I take it that Mr. Marshall has withdrawn the statement which was made with respect to how these investments were purchased; he stated he never intended to impute wrongdoings.

Mr. GREEN: Before we go on to another point this should be made clear, whether he is alleging that there was anything wrong done by the members of the trustee board in Alberta?

The CHAIRMAN: I understood him to say that he has not alleged that.

Mr. GREEN: It is not a question of what you understood.

Mr. MARSHALL: I am simply trying to answer questions which were asked at the last meeting of the canteen fund committee. I am simply placing upon the record in reply to those questions information which can be obtained in this particular financial statement we have before us.

Mr. GREEN: Are you alleging there was anything wrongful done by the trustee board in Alberta?

The CHAIRMAN: Mr. Turgeon has suggested to the committee that a certain letter be read. Is it the pleasure of the committee that that letter should be read?

Mr. GREEN: I would like to have my question answered as to whether Mr. Marshall is alleging there was anything wrongful done by the trustee board in Alberta, before we go ahead. He has not answered that question. I think it should be answered. It is all very well for us to sit here and besmirch people's character when they cannot answer, but these men, I presume, are all responsible men, and they are entitled to have their names protected in this committee; but for a man to come in here from their own province and make insinuations that may hurt their reputation—we should know how far he is going.

The CHAIRMAN: Would it not be well for Mr. Marshall to make an answer to that statement if he feels so disposed?

Mr. GILLIS: Who is on trial here? Is it Mr. Marshall or is it this canteen report?

The CHAIRMAN: I do not think anyone is on trial.

Mr. GILLIS: It would appear that Mr. Marshall is being cross-examined.

The CHAIRMAN: I suppose there is nothing wrong in that. If a member of the committee gives evidence to the committee I think he should be prepared to be cross-examined.

Mr. GILLIS: Yes, but he has not given his evidence.

The CHAIRMAN: Well, he is giving it.

Mr. GILLIS: Somebody else is trying to tell him how to give that evidence. My understanding of Mr. Marshall's position is this: Mr. Marshall did not raise this question, it was raised by Mr. Cruickshank, and Mr. Cruickshank virtually has stated that Alberta was blushing—he included the whole province of Alberta, and insinuations were thrown out by him which placed the members from Alberta on this committee in a position where they had to defend Alberta. Now, I sat here and listened to Mr. Marshall and I do not think he threw out any insinuations. The funds of the canteen board in Alberta were invested with a certain company and there was a transfer made, and in that transfer to say the least the trustees lacked judgment because in the transaction there was \$50,000 of the canteen funds of Alberta lost. That, in my opinion, at least, showed lack of judgment on the part of that board, did it not? But to put Mr. Marshall on the spot and ask him whether he is making accusations personally against the board of trustees in Alberta, in my opinion, is not fair. I think if we are going to go into this matter as we should Mr. Marshall should be allowed to make his statement based on the records of the board, and if there is correspondence in the hands of the secretary with reference to the transfer of those investments that correspondence should speak for itself. I do not think it is fair to attack Mr. Marshall before he gets started on this matter, when as a matter of fact all he is doing is giving you a summary of the reports of that transaction so that when Mr. Marshall is through this committee will be in a position to judge whether the board was capable or not. Nobody is suggesting dishonesty; but if I am investing money belonging to somebody else and I lose \$50,000 of it, to say the least, I lack judgment. I think before we start cross-examining and brow-beating Mr. Marshall we should at least give him an opportunity to make his case first.

The CHAIRMAN: I agree with the last speaker's remarks in so far as brow-beating is concerned; I do not think any member would want to brow-beat any other member. With regard to cross-examination, I must rule that any member who gives evidence to the committee must be prepared to be cross-examined.

Mr. TURGEON: I think the whole trouble arose from Mr. Marshall's remark that one or another of the board of trustees went to Toronto to see Mr. Meighen or Mr. Meighen went to Edmonton to see them; I think that is what caused everything.

Mr. ROSS (*Souris*): It was absolutely pure imagination.

Mr. TURGEON: I think that is a remark that Mr. Marshall might easily withdraw, and I think he is ready to withdraw it. The question of allegations against anybody, I do not feel has arisen, and I really believe that if that correspondence were placed on the record it would clear up any question as to who went to see who.

Mr. GREEN: I agree with Mr. Gillis in so far as mistakes in judgment are concerned, but he has said that nobody was charging dishonesty. That is all we want to get clear, but I want to have it made absolutely clear by Mr. Marshall that there is no charge of dishonesty either on the part of Mr. Meighen or on the part of any member of the trustees. That is all I am worried about. I do not mind how much he says about the judgment of the people, but from what he said anybody reading the record or anybody listening to him might get the impression that he was charging these people with dishonesty.

Mr. GILLIS: I certainly did not get that impression.

Mr. GREEN: I got that impression, and I think that that matter should be entirely cleared up. Remember this, there has never been a conservative government in Alberta and the trustees were appointed by the provincial government so the chances are that the trustees were not conservatives. It is not a matter of protecting our own people, but I do think it is unfair in a parliamentary committee, simply because we have certain privileges here, for members to come out and make statements which can only have the effect of branding outside people who are not able to defend themselves.

Mr. GILLIS: That should not be done.

Mr. GREEN: It should not be done; I resent that.

Mr. GILLIS: I agree with you.

Mr. GREEN: I would like to have that point made perfectly clear, that no dishonesty was alleged.

Mr. MARSHALL: I have made that clear, Mr. Chairman.

The CHAIRMAN: Now, Mr. Dixon, will you read the letter?

The WITNESS: Mr. Chairman, may I crave your indulgence before reading this letter to point out this that in the report to the General Advisory Committee with respect to Alberta for the purpose of arriving at the recommendation that investments should be put in Dominion Securities the situation in Alberta was stated thus:—

The policy of the Alberta Board of Trustees was to grant assistance in the form of loans. As far as is known the remaining Alberta investments are in Alberta and other bonds. The market value of the shares held is \$40,112 as against book value of \$109,450.

Following that up, I think, reference was made elsewhere to some unfortunate investments in the recommendations. In connection with that, Mr. Chairman, may I say that in the report of the canteen fund committee for the year ending March 31, 1932, the following appears:—

The securities have been produced and found in order. The 4,000 shares Second Canadian Investment Trusts Limited and ninety shares of Canadian Investment Trusts Limited have been exchanged for 4,360 shares of Canadian Investment Trusts Limited. The shares are still carried at the original cost in the books although the present market value has greatly reduced since that date.

During the year the "Canada Fund" has been separated from the general funds and all relief to those members who served in Canada only has been charged against the "Canada Fund". In addition one-twentieth of the Macfarlane loss has been charged to this account; the balance being charged against the General Funds.

In their statement they show "G. W. Macfarlane shortage....\$7,706.50".

Mr. MARSHALL: Of that amount \$7,780 was charged to the General Capital Account and \$385.85 was charged to the Canada Fund Capital Account. I was coming to that.

Mr. SANDERSON: It is the letter we want to hear. It was decided that we should have that letter.

The CHAIRMAN: Are you going to read the letter?

The WITNESS: There is just one other statement I should like to make, that information dated October 17, 1931, stated that Colonel Macfarlane was

arrested on the authority of a warrant issued by the Attorney-General of Alberta on October 6. This is a letter addressed to Mr. E. H. Scammell, Secretary, Department of Pensions and National Health, and one paragraph reads:—

... was sentenced to imprisonment for three years. His indebtedness to the fund, according to our auditor's statement as at September 30, 1931, was \$7,706.50.

I think possibly that might clear that up.

Mr. MARSHALL: I did not make any mention of that, for the simple reason that I could not substantiate that particular incident. It does not appear here, and I did not intend to make any reference to it whatsoever, although it was known to me. It is not in the records, and it is rather strange that in the setting up of the statement it refers to G. W. Macfarlane whereas his initials are W. G.—whether that has any significance or not I do not know. But I do not intend to make any reference or make any mention of the fact that Mr. Macfarlane found himself in difficulties in 1931, because that correspondence is not on this file.

Mr. TURGEON: Let us have the correspondence.

The CHAIRMAN: Is there more correspondence?

The WITNESS: There are two letters involved, one dated October 6, 1931, addressed to E. H. Scammell, Secretary of the Department of Pensions and National Health which reads as follows:—

Dear Mr. Scammell:—

I am attaching copy of my letter of September 9, 1931, to Hon. J. E. Brownlee, which I presented to him in person on the morning of September 10, 1931, and waited in attendance on him whilst he read it. Whether he has consulted anyone else on the matter I do not know, as I have heard of no developments of any kind to date.

Mr. TURGEON: Who wrote that letter?

The WITNESS: It is signed G. W. Waistell, Chairman.

The next letter is dated September 9, 1931, addressed to the Hon. J. E. Brownlee, Premier of Alberta:—

After much patient effort we have at last been able to conclusively determine our true position, and now place before you for consideration, a resume showing how this board stands at the present time. There are two distinct phases requiring separate treatment, they being as follows:

1. The conduct of Col. W. G. Macfarlane.
2. The condition of our funds and securities.

So as to clearly describe to you in brief, yet precise detail, I place these items before you in the following manner:

1. (a) Between the years 1926 and toward the latter part of 1929, the personal conduct of Col. Macfarlane appeared to us to be quite normal and satisfactory. In 1927 he asked me to agree to his having a loan from the fund of something over \$2,000, to finance a business venture in Vancouver, and upon my declining he sent in his resignation to you which was not accepted. I discussed this matter with you at about that time when in your office on other business.

(b) In the fall of 1929 Col. Macfarlane begun to show very definite evidence of intoxication on many of my visits to him in the interests of the board. I remonstrated with him kindly on several occasions, but to no avail. Mrs. Grant, then our secretary, complained to me about him a number of times, as to his drinking in the office during business hours.

The CHAIRMAN: Apparently Colonel Macfarlane was tried and convicted, and if this letter is a defence of someone else I do not see that it is of much help to the committee.

Mr. TURGEON: I was relating the correspondence to something that had reference to the transaction that was being discussed by Mr. Marshall—the exchange of securities from the fund to the new securities concerning which our little flare-up arose. That is what I had in mind regarding the bringing down of the correspondence. Is this the only correspondence you have relating to this matter?

The WITNESS: Yes.

Mr. TURGEON: You have nothing relating to the exchange of securities?

The WITNESS: In this letter it states that the transaction was made in the summer of 1928.

Mr. TURGEON: You might leave out the part relating to any misdemeanours of the official.

Mr. DIEFENBAKER: If we are going to have the letter let us have it all.

The CHAIRMAN: I have brought to the attention of the committee the fact that Dr. Macmillan has raised the question of going back and investigating past canteen funds. I cannot see any purpose in our re-trying Colonel Macfarlane.

Mr. CASTLEDEN: Perhaps there is something more. Might the letter be read?

Mr. TURGEON: All I had in mind had relation to the matter brought up by Mr. Marshall.

The WITNESS: (Reads):—

(c) By January, 1930, his drinking had reached such a stage that I became very much concerned over the efficiency of our work and wrote to my colleague, Dr. Wade, accordingly on January 22, 1931. I also wired the Department of Pensions and National Health asking for a Government Auditor to come and check over the accounts, and which request was declined by wire dated January 24, 1930.

(d) Early in February, 1930, I went to Col. Macfarlane at his suite in the Arlington Apartments and remonstrated with him as to his conduct and he then said that he would again send in his resignation for your acceptance, such to be effective on March 31, 1930. Several days later he gave me a copy of his letter of resignation for my information. Shortly afterwards he told me that he had received an acknowledgment.

(e) Early in March, 1930, I had occasion to visit the office of Hon. Mr. Reid, Provincial Treasurer, and we briefly discussed the above resignation, at which time I expressed the opinion that it would be best for all concerned that a new chairman be appointed. I mentioned the name of Col. Sims, as a desirable appointee. Dr. Wade had also been advised of Col. Macfarlane's resignation and he submitted to you the name of the late Col. C. Y. Weaver, to follow Col. Macfarlane.

(f) During April, 1930, both Dr. Wade and myself urged upon Macfarlane that the books be audited by a chartered accountant for the period ending March 31, 1930, and after delay of a few weeks he engaged the services of Mr. G. D. K. Kinnaird. I had no acquaintance with Mr. Kinnaird at that time, nor did I see him at work on the books in 1930. I asked Macfarlane for the audited statement but was put off with the remark "that there was a slight difference, but that as soon as he had time to do so he was sure he could discover the true figures". When I later made the acquaintance of Mr. Kinnaird in May or June, 1931, I found for the first time that the true reason for non-production of the

audited report was that Macfarlane never "could find a suitable opportunity to go to the bank to check over the Securities" with the auditor. Mr. Kinnaird recently told me that he did not then have the slightest suspicion of Col. Macfarlane as they were friends of many years standing, and therefore he did not press the point any further so that the 1930 audit was not fully concluded.

(g) As weeks and months passed, Macfarlane's drinking continued without any sign of improvement—indeed he appeared to be getting gradually worse. Nothing happened, however, to give me cause for suspicion that anything might be wrong with the fund. I several times questioned the secretary, Mrs. Grant, as to the funds, and her invariable reply was "that the Colonel handled all our banking and financial affairs and she had no reason or cause for doubt of any kind".

(h) In May, 1930, my health broke down and I went to the University Hospital. Several days after entering Mrs. Grant came to see me bringing the big cheque-book with request that I sign sufficient to enable them to carry on. I was so ill that my hand had to be massaged for a long time before I could hold a pen—the cheques were in blank.

These blank cheques were the beginning of Macfarlane's unauthorized borrowings which ultimately totalled \$8,051 between May, 1930, and May, 1931, all completely unknown to me until advised by Mr. Kinnaird early in June, 1931.

(i) On being informed of the situation just previously referred to, I spoke to Dr. Wade on long-distance telephone asking him to come to Edmonton at once to help me handle the situation. Some three or four months previously I had sent in my resignation to you as the position by that time had become utterly unbearable, upon receipt of which you had evidently delegated Hon. Mr. Reid to question me, and I then fully described to him the conditions as they were known to me up to that time. By June 4, 1931, having just been appraised by Mr. Kinnaird that there was a shortage in the funds, I then obtained an interview with you explaining briefly the position that had been communicated to me, following which you accepted Col. Macfarlane's resignation at once.

(j) On the morning of June 5, 1931, Col. Macfarlane sent for Dr. Wade and myself to visit him at the Arlington Apartments; he looked very very sick indeed; he admitted the shortages found by Mr. Kinnaird and that he alone was fully responsible, also admitting that some time previously he had personally used one of our Medicine Hat bonds for \$2,000 and had also made a payment to a Mrs. Bailey of \$500 from our funds, being for land which he was buying in his own name

The CHAIRMAN: Is Mr. Waistell still alive?

Mr. MARSHALL: He is not a member of the board.

The CHAIRMAN: This letter seems to me to be in defence of Mr. Waistell; I cannot see what benefit it is to the committee.

Mr. GREEN: We have started it so we might as well finish it.

The CHAIRMAN: I am in the hands of the committee.

The WITNESS (Reads):

He most strongly asserted at this interview that the shortages in question should only be regarded as temporary loans, stating that he had financial holdings sufficient to far more than cover the amount borrowed—that as far as the Medicine Hat Bond and the Bailey amount were concerned he was arranging to have these refunded to the board within 30 days. Col. Macfarlane urged upon us to accept the foregoing

statements; to be patient with him in his illness and extremity—and I am sure that both Mr. Wade and myself left that interview without any thought of prosecuting him, yet deploring the circumstances that had placed him into such a terrible position.

(k) Col. Macfarlane's account with the board at this date stands as follows:—

Total amount, described by Col. Macfarlane	
as "temporary loans".....	\$8,051 00
Refunded by Col. Macfarlane.....	800 00
	<hr/>
Balance still due to the board.....	\$7,251 00

In evidence of the foregoing indebtedness, Col. Macfarlane has given us the following promissory notes:

1. Issued June 30, 1931, due July 30, 1931..	\$1,700 00
2. Issued June 30, 1931, due September 30, 1931.	5,551 00
	<hr/>
Total	\$7,251 00

The first note has been presented for payment by the Bank of Montreal, but has not been honoured to date. The second note is not yet due.

(l) The Board has now decided to place the foregoing matter into your hands for consideration, and with the request that such action as may be regarded as necessary be taken by the Government of Alberta, we tendering our fullest co-operation with you at all times.

(m) Dr. Wade and the writer took opportunity of calling at the Department of Pensions and National Health at Ottawa on the 3rd inst., interviewing Mr. McKee (Assistant Deputy Minister) and Mr. Lavoie (Assistant Secretary) placing before them the position recited in the foregoing paragraphs. The representations made are to be referred to their senior officers, so that we now await any developments that might arise from that quarter.

As to the second phase, being "the condition of our funds and securities," I beg to advise:—

2. (a) Previous to the appointment of Dr. Wade and myself to the Board in 1926 neither of us had the personal acquaintance of Col. Macfarlane. We understood that his appointment was the result of nomination by the Army and Navy Veterans. Our impression upon learning that he was an ex-bank manager; that he was then the manager for the Traders Trust Company; and, on his own account, conducting business as Macfarlane & Co.; was actively engaged in the Bond Brokerage and Investment business, we certainly felt that a very suitable choice had been made in the chairmanship of the board.

(b) In 1926, upon receiving a cheque from the Federal Government, conveying the first and main amount of the Alberta share of the overseas Canteen Fund, arrangements were made to meet brokers at Edmonton and Calgary to determine the choice of our investments. Neither Dr. Wade nor myself ever had, or ever pretended to have, any knowledge of bonds or investments—our specialty, if any, was the human knowledge of soldiers' affairs and their needs. Of those original investments we never had any cause to regret: and if any commissions were paid to anyone in connection with such purchases, neither the Fund, Dr. Wade nor myself received any amount whatever.

(c) As time progressed, the demands upon the fund increased and the following table will illustrate the rate of outgo for the fiscal years ending March 31.

1926-27	\$10,004 30
1927-28	13,793 64
1928-29	14,578 88
1929-30	24,289 56
1930-31	46,311 50

(d) During the summer of 1928, Right Hon. Arthur Meighen, former Premier of Canada, visited Edmonton in the interests of the concern of which he was chairman, viz: The Canadian General Securities Limited, and as a result of his contact with Col. Macfarlane and of the latter's most urgent representations to Dr. Wade and myself we disposed of the securities then held, and purchased:—

(1) 90 Shares Canadian General Investment Trust Limited, for	\$ 9,450 00
(2) 1,000 Shares Second Canadian General Investment Limited, for	\$100,000 00
(later subdivided into 4,000 shares)	
Total.....	\$109,450 00

and which securities are held by the Board at the present time.

(e) All negotiations for the purchase of the above mentioned securities were conducted by Colonel Macfarlane who gave Doctor Wade and myself at that time the most positive assurance that the purchase was a trust investment which we, as trustees, had by law full authority to make. (It can be reasonably introduced at this time, that as Mr. Meighen was a Member of Parliament when the Canteen Funds Act was passed in 1925,—that as an eminent lawyer and K.C.,—and that as active chairman of the company he signed the investment certificate for \$100,000 which stands in the name of "The Board of Trustees for Alberta under the Canteen Funds Act, 1925," he most certainly was familiar with the transaction, thus substantiating in the most positive manner, the assurance that an investment had been made which we as trustees had legal authority to do.)

(f) The position of the board at this date is, that apart from the sum of \$9,197.27, as a balance in the Bank of Montreal at Edmonton on July 31st, 1931, and a first mortgage on the Hanna Memorial Hall valued at \$3,250, the board has no other assets than the securities above quoted in paragraph (d) now remaining of the original division of 1926, then totaling \$190,124.68, the difference (principal and interest \$104,828.63) having been disposed of during the intervening five-and-a-half years operations.

(g) As the time drew closer at hand when our liquid resources would soon be used up, it became necessary for the board to consider disposal of at least part of the securities referred to in paragraph 2(d), and it was therefore agreed by the full board on August 2nd, 1931, that Mr. Waistell (in addition to his attendance at a conference of all Canadian Canteen Fund Boards) should take the investment certificates and negotiate with the Canadian General Investments Limited for sale of a part sufficient for our anticipated needs of the coming winter. Doctor Wade, then visiting in the east with his sick wife, accompanied Mr. Waistell on the mission at which Mr. Meighen and Mr. Kenny (the treasurer) were interviewed on

September 2nd. We learned with profound dismay that the present quoted value of the securities was such that we declined to assume the responsibility of so great a sacrifice, preferring rather to explore other possible avenues of financing, or in the event of non-success, to suspend relief altogether for a while until the securities in question had recovered to a degree that would justify their conversion into cash. At the time of this interview we learned that upon our purchase of the securities in question Colonel Macfarlane had personally received a brokerage commission of \$3,542.50 such item being unknown to Doctor Wade or myself previous to September 2nd, 1931.

(h) Next day, September 3, 1931, we were at Ottawa as already referred to in paragraph 1 (m) having gone there without prearrangement, but determined to lay the entire matter before the Department of Pensions and National Health and also in the hope of getting some encouragement in our difficulty from the Department of Finance. Through the good offices of Colonel John Thompson we secured an interview with Mr. Sellars, Deputy Minister of Finance to whom we described the conditions herein fully covered. He suggested we get out our case and request for financial assistance in a letter to the Department of Pensions and National Health, with carbon copies to himself, Hon. G. Robertson and the Prime Minister, assuring us that he would give the matter every consideration. This suggestion of Mr. Sellars is being acted upon in the manner described, and we sincerely trust that a means of financing will be determined, thus enabling the board to continue without a break, the work of rendering assistance to returned soldiers in distress.

It has been impossible for me to describe in lesser volume the very serious matters which this letter contains: indeed there are still many points that could be included and are left unsaid out of kindly consideration for one who appears to be the victim of an uncontrollable and destructive habit, but of whom it can at least be said that he served his King and country in the hour of need, and in recent years gave unsparingly of his time and talents in the cause of those in distress.

The substance of this letter has been designed in full agreement with Dr. Wade, and also in consultation with our new colleague on the board, Lt.-Col. T. C. Sims, and goes forward to you with the earnest request that not only will you take such action you may regard necessary under the circumstances herein described, but that also you will give the board the benefit of your guidance in the difficulties surrounding us at this time.

Yours truly,

G. W. Waistell,
Chairman.

P.S. Our bank balance at this date, September 9, 1931, is \$8,000.45.

MR. MARSHALL: Mr. Chairman, I want to say now that I had no knowledge that such a document was in existence; these facts are just as new to me as they are to the other members of the committee. All that I am concerned with is simply to read the facts as I have done here in this document and allow those facts to speak for themselves.

You have now a picture of what took place up to the end of 1932. In 1933 the financial statement says:—

Owing to the lack of available funds, hundreds of applications for relief have had to be rejected. Under an arrangement with the province of Alberta and upon the security of the Canadian General Investments Limited shares, funds are to be advanced by the province at the rate of \$700 per month, commencing 1st April, 1933.

The agreement was entered into between the province of Alberta and the Canteen Committee whereby the province advanced on the security of those shares \$700 per month. During 1934 that agreement was continued, the province paying \$700 per month. In 1935 it was still continued, and let me say here that there was a change of government in the province of Alberta in 1935, and the situation which developed with respect to the canteen fund took place prior to the present government assuming office in 1935. In 1935 according to the statement here the province of Alberta had advanced \$16,800 of principal and \$682.15 of interest. In 1936 this approximated \$25,200; in 1937 it rose to \$33,600; in 1938 it rose to \$43,526; in 1939 it stood at \$52,248 and in 1940 it stood at the figure of \$54,600. In 1941 an agreement was reached, I believe, between the province of Alberta and the Board of Trustees, and here is what it says:—

The Treasury Department of the province of Alberta have agreed to apply the total amount of interest paid by the Board against the principal and have indicated their intention of taking over the 4,360 shares of Canadian General Investments Limited. These shares have an approximate market value of \$33,790 to \$34,880 as at to-day's date.

By the way, may I say this, that the present personnel of the board is Lt.-Col. Louis Scott, who was Officer Commanding the Training Depot at Camrose, Alberta, and who is now in charge of the Currie barracks in Calgary; Lt.-Col. Edward Brown, M.M., Commandant of the Edmonton area. I do not know the name of the third member of the board, but the secretary is Mr. A. Menzies.

I think that gives you a clear picture of the administration of the canteen funds in the province of Alberta up to the present time. As I said before and wish to repeat, all the information which I have given to the committee this morning is contained in this financial statement. Now, I should like for a minute to spend a moment or two on the statement which was submitted by the witness, Mr. Dixon, the other day so far as it relates to the province of Alberta. Mr. Castleden, I think, asked a couple of questions with respect to this statement and particularly drew my attention to the figures as they relate to the year 1936, showing that the major expenditures for relief were \$1,782 and the administration \$2,601. On going over the financial statement I must say that this is only for a period of five months; these figures are not correct. I might also direct your attention to the figures covering the year 1940 which show that \$711 were expended for relief and \$259 for administration. Those figures are not correct, because they only cover a three-month period, the 31st December, 1939, to 31st March, 1940.

Mr. CASTLEDEN: Is there no fiscal year?

Mr. MARSHALL: Yes, the financial statement is here, but I am pointing out that these figures are not right. As a matter of fact, this statement which you find on page 9 as submitted by Mr. Dixon does not reflect the true facts of the whole situation. For instance, I will draw your attention to the administration fees charged in 1935, it shows an amount of \$2,843. In that sum there is an amount of \$258.57 paid for interest. To my mind that is not an administration cost. For 1937 in the amount charged up for administration fees of \$3,584 there is included a figure of \$1,229.79 interest charges.

The CHAIRMAN: Interest for what?

Mr. MARSHALL: Interest that was paid to the provincial government on this money which was advanced to the canteen committee from time to time and the full amount of which was transferred afterwards from the interest account over on the principal. I have that date when the full amount of interest which was paid from year to year was applied to the principal sum. In the year 1939

the amount of administration fees are \$3,792 and the interest charges in that year amount to \$1,526, charged to administration. So, Mr. Chairman, I contend that this statement as shown on page 9 is not only misleading but it is inaccurate. In the figures for 1936, \$2,601, there is included the payment of interest of \$1,777.12. I would suggest respectfully that this whole statement be withdrawn and a new one made up. I have gone through the figures for the province of Prince Edward Island and for the provinces of Nova Scotia, New Brunswick and Quebec and Ontario as well as my own province and I find misleading and inaccurate statements in quite a number, particularly with respect to the one which covers the province of Quebec. I would urge that this whole statement be withdrawn and a new one compiled for the information of the committee.

Mr. Chairman, I do want to thank you and the members of the committee for the opportunity you have given me to place the facts as I have them before this committee.

The CHAIRMAN: Probably, Mr. Dixon, you might clear up the question with regard to this statement.

The WITNESS: May I say in that connection that on page 1 under the heading of "Canteen Funds" it says: "Details of Distribution of Funds with extracts from Annual Reports of Provincial and Other Boards showing Major Expenditures under different headings—(expenditures only approximate in some cases)".

I think I said in my evidence that it was impossible to give the full details with respect to every province which Mr. Castleden had asked about. However, the best I could do was to make a synopsis and at the same time offer for the committee's information the original reports as the only things available to me. I quite agree that the placing under the heading of administration of interest charges to which reference has been made, while it might not be correct from an accounting point of view, I was of opinion that inasmuch as here was something being paid out in the operation of the canteen fund and not going to the benefit of the ex-soldiers it might well be charged to administration, in that it was a charge against the fund for operating the fund.

Mr. MARSHALL: Mr. Chairman, my only reply to that would be to refer to page 3, Nova Scotia. The particulars of the major expenditures are broken up in such a way that they become quite clear to everyone, but there are just the two columns in connection with Alberta—relief and administration. I only wish to point out that when you look at the figures, say, for the year 1936, and see that it cost \$2,601 to administer relief which was only given to the extent of \$1,782—it is quite evident that something must be wrong. It does seem to me that Yukon has been analysed very carefully and Nova Scotia has been analysed very carefully, so has New Brunswick and Quebec and so has Ontario and Manitoba; therefore I do not quite understand the set-up for the province of Alberta.

Mr. MACKENZIE (*Neepawa*): Why could not Alberta have been handled in the same way as Manitoba?

Mr. GREEN: I was wondering if the same practice has been followed with regard to several of the provinces. In other words, that items have been put into administration which were not really what we would consider administration.

Mr. CASTLEDEN: It is about the only province that has made loans along the same lines. The Alberta government took over those shares of the Canadian Investment Company and advances, as Mr. Marshall has shown, as about \$50,000 against them in the form of a loan.

Mr. GREEN: That certainly was not administration.

Mr. CASTLEDEN: No, I do not see how it could possibly be included in administration.

The CHAIRMAN: It was a charge against the fund.

Mr. MARSHALL: It was a charge against the fund, but the simple fact that they have the word "administration" at the top is likely to lead one to believe certain definite things. For instance, for 1937 I looked at the figures and saw \$3,584 for administration expense and \$4,733 for relief. Now, I would naturally conclude that there must be something radically wrong with such administration and I would likely blame the members of the board. Yet I have made careful inquiries with respect to these gentlemen who sit on the board and they are men of the highest character and reputation and ability. I do not believe we could get better men in the province. I have no other person's word for it than the Minister of Trade and Commerce, Hon. Mr. MacKinnon, from whom I got the information with regard to the set-up of the board as it has operated for the last two or three years, and these gentlemen are still in charge.

The CHAIRMAN: Gentlemen it is now nearly 1 o'clock and it is rather late to go into another subject. At our next meeting we will have Major A. C. Lewis, K.C., Secretary-Treasurer for the Trustees of the Ontario Provincial Canteen Funds.

Mr. WRIGHT: Are arrangements being made to have some of the privates before the canteen funds committee?

The CHAIRMAN: It is the intention of the committee to call men from the ranks to give evidence. We are having a little difficulty in selecting those men. If any member of the committee has some suggestions to make as to how they could be selected I am sure we would appreciate the suggestion. However, I can assure the committee that the men will be called to give evidence.

Mr. WRIGHT: I think it is important as to how they are chosen. I do not think it is sufficient to say that the commanding officers should give the names; I think the men should use their own representatives to appear before the committee.

The CHAIRMAN: Of course, there are hundreds of thousands of men in the armed forces now and it is a difficult task to make the selection. We will try to get men who are free and feel free to give their own opinion.

Mr. WRIGHT: That is what we want.

Mr. MACMILLAN: Will Mr. Dixon be available for further questioning?

The CHAIRMAN: Yes, at a subsequent meeting; probably on Thursday after Major Lewis has finished.

The committee adjourned to meet Thursday, June 11, at 11.30 o'clock a.m.

Canada Canteen Fund, Special Bill, 1942

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SESSION 1942

HOUSE OF COMMONS

(SPECIAL COMMITTEE

ON

CANTEEN FUNDS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, JUNE 11, 1942
FRIDAY, JUNE 12, 1942

WITNESS:

Major Alex. C. Lewis, K.C., Secretary-Treasurer, Ontario Canteen Fund
Trustees, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

THURSDAY, June 11, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met at 11.30 a.m., Mr. Blanchette, vice-chairman, presiding.

Members present: Messrs. Blanchette, Castleden, Claxton, Cleaver, Diefenbaker, Ferron, Green, Macdonald (*Brantford City*), MacKenzie (*Neepawa*), Macmillan, McCuaig, Marshall, Ross (*Souris*), Sanderson.

In attendance:

Paymaster J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet;

Lt. Col. J. A. de Lalanne, President of the Regimental Funds Board; with

Major Georges Garneau;

Flight Lt. J. M. Wynn, representing the Directorate of Accounts and Finance, R.C.A.F.;

Mr. A. J. Dixon, Chairman of subcommittee on the Administration of Special Funds, Dept. of Pensions and National Health;

Mr. Robert England, Executive Secretary, General Advisory Committee on Rehabilitation.

Major Alex. C. Lewis, K.C., Secretary-Treasurer, Ontario Canteen Fund Trustees, was called.

Major Lewis read a brief submission and was examined. He filed:—

(a) Annual Reports of the Ontario Canteen Fund Trustees, 1928 to 1941 inclusive.

(b) Set of office forms (12) used in the administration of the Ontario Canteen Fund.

At 1.00 o'clock p.m. the Committee adjourned until tomorrow, Friday, June 12, at 11.30 a.m. when Major Lewis will resume his evidence.

R. ARSENAULT,
Acting Clerk of the Committee.

HOUSE OF COMMONS, ROOM 277,

FRIDAY, June 12, 1942.

The Committee met again this day at 11.30 a.m. The vice-chairman, Mr. J. A. Blanchette, presided.

Members present: Messrs. Abbott, Black (*Yukon*), Blanchette, Fauteux, Ferron, Gillis, Green, Hazen, Jackman, Lapointe (*Matapedia-Matane*), MacKenzie (*Neepawa*), Macmillan, McLean (*Simcoe East*), Marshall, Ross (*Middlesex-East*), Ross (*Souris*), Sanderson, Whitman, Wright.

In attendance: Major Alex. C. Lewis, K.C.; Paymaster Captain J. O. Cossette, R.C.N.; Lt.-Col. J. A. de Lalanne; Major Georges Garneau; Flight-Lieutenant J. M. Wynn; Mr. Robert England; Mr. A. J. Dixon; Mr. A. M. Wright.

The vice-chairman announced that a report had been filed with the Clerk of the Committee by Paymaster-Captain J. O. Cossette, R.C.N., showing operations of Naval Canteens from 1st October 1939 to 31st March 1942. And that such report would be made available to each member of the Committee at a future date.

The Committee then resumed from Thursday the adjourned examination of Major Alex. C. Lewis, K.C., Secretary-Treasurer of the Ontario Canteen Fund Trustees.

At the conclusion of the witness' deposition the vice-chairman expressed to Major Lewis the appreciation of the Committee for the able presentation made and the valuable suggestions offered. The witness was requested to submit a written report in support of his recommendations and this he undertook to do at a later date. He was permitted to retire.

At 12.50 o'clock p.m., the Committee adjourned to meet again on Tuesday, June 16, at 11.30 o'clock a.m.

ANTOINE CHASSÉ,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

June 11, 1942.

The Select Committee on Canteen Funds met this day at 11.30 o'clock a.m. The vice-chairman, Mr. Joseph A. Blanchette, presided.

The VICE-CHAIRMAN: The committee will please come to order. It is unfortunate we have so many committees sitting which accounts for the fact we have been delayed so long in starting. We have with us this morning, gentlemen, Major Alex. C. Lewis, K.C., Secretary-Treasurer of the Ontario Canteen Fund Trustees, Parliament Buildings, Queen's Park, Toronto. I know it will be a pleasure to the committee to hear Major Lewis. I now call on Major Lewis.

Major ALEX. C. LEWIS, K.C., called.

The WITNESS: Mr. Chairman, I am not just certain what you want of me. Would you like me to read a bit of a review of the Ontario Fund from the last war and answer any questions?

The VICE-CHAIRMAN: Yes; questions may be asked afterwards.

Mr. CASTLEDEN: And it would be of some assistance to us if you can offer some recommendations, since it is the duty of this committee to recommend.

The WITNESS: Well, I have some ideas. I have, Mr. Chairman, a brief that I prepared for the representatives of our board who attended the Legion convention in Winnipeg, the dominion convention, and I think it will perhaps give you a general idea of the administration of the Ontario Fund from the last war.

The VICE-CHAIRMAN: That will be fine.

The WITNESS: The Ontario Board of Trustees was appointed in September, 1927.

As directed by the Canteen Funds Act some time was spent in making a study of the situation amongst ex-service men and the activities of other similar boards in order to formulate a policy.

Active work was commenced in March, 1928, and on March 31, 1942, the board completed fourteen years of administration.

The Canteen Funds Act contained general directions regarding the manner of administration including a specific direction as follows:

Any use of the fund for relief purposes should be limited to the class of case for which no relief is then available from governmental sources and in particular to specially meritorious cases.

With a desire to assist very deserving applicants who were in receipt of a small pension the trustees asked for a ruling from the department at Ottawa and the department secured a ruling from the Department of Justice to the effect that the clause quoted prevents the granting of assistance to men in receipt of pension in any amount or any other assistance from governmental sources.

The only deviation allowed from this ruling permits the use of the fund to aid in furnishing school supplies and other educational needs to men in receipt of a small pension. This privilege the trustees have used in the widest application possible.

Following the study made by the trustees and under the terms of the Act the following regulations were formulated, and have since governed the adminis-

tration of the fund, apparently with the general approval of returned men as evidenced by hundreds of letters received by the trustees from individuals and ex-service men's organizations:

The regulations governing the administration of the Ontario Canteen Fund provide that the fund shall be used for the following purposes:

1. For assistance in the education of children of ex-service men, special cases, worthy of consideration. Assistance granted only towards actual school expenses, not for living expenses.
2. For relief or urgent cases amongst ex-service men (not pensioners).
3. For relief or urgent cases amongst dependents of ex-service men (not pensioners), resulting from illness.
4. No relief to be granted for conditions resulting from unemployment.

The Federal Act governing the administration of the fund provides that it shall not be used for the assistance of ex-service men who are in receipt of pension, or other government allowance.

NOTE: — Application must be submitted on proper application forms (Form No. 1) supplied by the trustees.

Applications must be accompanied by proof of service. When discharge papers are forwarded the letter should be registered and the certificate will be returned by registered mail.

A letter from a qualified medical man certifying to the applicant's physical condition should accompany the application.

Full information as requested on Form No. 1 should be given in order to expedite consideration.

The board of trustees appointed in 1927 has continued intact up to the present time with the exception of one change when Colonel Williams Kippen, D.S.O., M.C., replaced Captain W. S. Haney.

In 1927 the trustees received from the government at Ottawa the sum of \$988,109.91, being Ontario's share of Canada's allotment with accrued interest. This fund can only be used for the assistance of men who served in England or France or in the Royal Canadian Navy overseas. Of this fund there remained on hand on March 31, 1942, the amount of \$689,550.29.

In 1929 a further sum of \$51,418.54 was received. This amount was derived from the operation of canteens, etc., in Canada, and can be used to assist any men who served in the Canadian Expeditionary Force. It has been used in Ontario as a special fund to aid men who served in Canada only, in Siberia or in effect any men not eligible for the general fund. Of this fund there remained on hand on March 31, 1942, the amount of \$4,122.68.

In 1928 and again in 1939 a notice was mailed to every branch of the Canadian Legion in Ontario and to other ex-service men's organizations advising them of the activities of the fund and inviting their co-operation in submitting applications. The results of this action have been most gratifying and this applies particularly to the co-operation extended by the Legion branches and the Legion Service Bureaux.

In 1929 an organization which had been the principal factor in financing the service bureaux of the Ontario Command of the Legion withdrew its support, leaving the Legion faced with the prospect of having to discontinue the bureaux. An appeal was made to the canteen fund trustees for assistance and the trustees finally succeeded in securing permission from the department to aid in the bureaux' financing. The first assistance was granted in December of 1929 and from that time up to March 31, 1942, the bureaux have been financed by the Ontario Canteen Fund to a total amount of \$132,363.40.

The trustees consider that, in view of the splendid work the Legion bureaux are doing for ex-service men generally they have been justified in granting this aid.

Other activities of the fund during its fourteen years of operation have been:—

Relief assistance to men and their dependents under the regulations as set out.

Educational assistance including—

- Business courses
- School supplies
- College and Special courses.

Supplying—

- Artificial limbs
- Glasses
- Dentures
- Special medical and surgical treatment
- Blood transfusions.

And other lines of assistance which it has been possible to include within the regulations.

A most pleasing feature of the fund's operations and one which has been much appreciated by ex-service men generally, is the speed with which applications are dealt with. Ninety per cent of all applications are dealt with on the day they are received and where a grant is made the cheque is mailed either on the same day or the following day. In the few cases where additional information has to be secured there is rarely a delay of more than a few days. This happy condition results from organization based on experience and is a most important feature in the administration of any fund such as the canteen fund. In the majority of cases the need is urgent and immediate.

Some interesting figures showing the operation and present condition of the Ontario Canteen Fund are as follows:—

Number of individual files of ex-service men in the office.....	21,875
Number of written applications received....	60,006
Number of successful applications.....	37,653
Original amount of fund.....\$	1,039,528.45
Total disbursements to March 31, 1942.....\$	966,388.48
Balance on hand March 31, 1942.....\$	693,672.97

The principal reason for such a good balance remaining after disbursement of so large a sum is that the government of Ontario has from the inception of the fund accepted the capital sum as an investment in a special issue of government bonds bearing interest at five per cent. This has protected the fund from the fluctuations of the money market and has conserved the principal in a very definite manner.

There has lately been expressed a fear that the balance remaining at this date is more than will be required to meet the demands on the fund during the lifetime of veterans of the first Great War. In 1941 the General Advisory Committee on Demobilization and Rehabilitation of the House of Commons in reviewing the history of the Ontario Canteen Fund said:

... the Ontario Board is now in possession of a fund of over \$600,000 which cannot be used for veterans of this (the present) war,

need not be used for the "burnt-out" veterans owing to the dominion legislation, and can hardly now be applied for the education of veterans' children, many of whom are in their late teens."

To ex-service men acquainted with the real conditions the fallacy of the reference to "burnt-out" veterans will be readily apparent. While the War Veterans' Allowance Board is doing a splendid work for returned men its benefits are enjoyed by a very small proportion of needy veterans. Thousands of men who cannot qualify for war veterans' allowance find themselves at times, through illness of themselves or dependents, in need of temporary assistance and this assistance can be sympathetically and speedily granted. There is also a constant demand from such men and from men in receipt of war veterans' allowance for assistance in educating their children and this assistance is granted from the canteen fund.

In reply to the fear that the fund will outlive the last veteran from the war of 1914-1918 the following figures are submitted:

A study of a cross section of 200 files selected at random from our records shows that of the 200 men concerned there are 159, or 79½ per cent, under the age of 55; there are 115, or 59½ per cent, under the age of 50, and there are 64, or 32 per cent, under the age of 45. It will be seen therefore that, applying these percentages to the 250,000 men who enlisted from Ontario, after allowing a wastage of 25 per cent, we may expect to have 149,000 men still living at the expiration of ten years, 111,000 still living at the expiration of fifteen years and 60,000 still living twenty years from the present time.

The trustees from the time they first undertook their duties have been impressed by the belief that they must be prepared to meet heavy demands on the fund after the lapse of an estimated period of from twenty to twenty-five years as the veterans grow older and the strain of their military service began to show its effect on their physical condition. Their experience during the fourteen years of operation has not altered this belief. While it is true that the exigencies resulting from the present war have created employment conditions for veterans of the first war such as they have not experienced for twelve years, it would be foolish to believe that such conditions will continue following the war's termination. First war veterans will then be released from their positions on veterans' guards, munition plants and other sporadic employment and many thousands of them will have reached an age when steady employment will be out of the question. Those men will constitute a very large constituency the needs of which for temporary and urgent assistance from time to time, will have to be met by the canteen fund.

A careful and conservative estimate of the demands on the fund which may be anticipated following the termination of the present war warrants the belief that the present balance together with the annual interest thereon (at 5 per cent will be completely exhausted within a period of fourteen years at which time there will still be living in Ontario approximately 148,000 veterans, many of whom will need canteen fund assistance.

As regards the suggestion that the canteen fund

Can hardly now be applied for education of veterans' children, many of whom are in their late teens

it is only fair to assume that this statement was based on very insufficient premises and in entire ignorance of the facts. An analysis of the files in the canteen fund office indicates that at the present time there are approximately 237,000 children of veterans under the age of eighteen in Ontario, there are 183,000 under the age of fifteen, 93,000 under the age of ten, and 39,000 under five years of age.

It will thus be realized that for many years to come there will be thousands of veterans' children eligible for canteen fund assistance. This is all the more evident when we remember that one of the most important activities of the fund is the financing of business courses for veterans' children, particularly girls, and that as some high school education is absolutely necessary as a basis for a business course, the scholars are from sixteen to eighteen years of age before the assistance is necessary.

Now, Mr. Chairman, I realize that is rather an incomplete brief for this committee, but it was prepared for another purpose. I brought it with me because I thought it was of some interest to start this discussion.

The VICE-CHAIRMAN: I think the brief that you have just given to us is very interesting. I notice a whole lot of information in it which will be of help to us.

The WITNESS: I brought along, of course, a copy for the secretary. Incidentally, sir, I brought with me ten complete sets of our annual reports from 1928 up to the present time. I thought perhaps individual members of the committee might like to have them to study. I have them here and will be glad to leave them with the secretary. I brought a complete set of forms which we use in connection with our work.

The VICE-CHAIRMAN: Are there any questions you wish to put to the Major?

The WITNESS: In connection with that, sir, I made a few notes of things that occurred to me in reading over some of the reports of your meetings. There is one in particular which I feel rather strongly about. One of the sub-committees dealing last year with the objects of the funds from the present war on the basis of experience from the last war made a recommendation that any funds created should be lodged with the Receiver General of Canada and administered from Ottawa. Now I have not any criticism of any administration that might be carried on at Ottawa, but I do feel this; that if you desire to establish a fund which is to be of benefit to the ex-service men in this present war our experience in dealing with the men from the last war over the last fourteen years teaches us that you cannot delay dealing with an application for a matter of a week or two weeks. And I submit with all deference if every application made in Manitoba or any of the western provinces had to be submitted to a central board at Ottawa there would be a great deal of delay, quite necessary delay, which you could not avoid, which would mean a great hardship to the applicant for assistance. I say that because we find that most of those men—let me say here one of the pleasantest jobs I have had in the course of a fairly long life has been dealing with the veterans of the last war in connection with this fund. It has been just marvelous. They do everything before they come to us for assistance. They come to us as a last resort when they are up against it and need money quickly. It might be that a man's wife dies and he has no money to bury her. We have had hundreds of cases like that. The man comes to us and tells us that his wife has died. All the information we have is his word that his wife has died. He gets a grant that will assist him in the funeral or buy clothes for the children. We have many cases like that. In nearly every case you find they come to us for assistance only when they need it quickly. It is something that has to be got out quickly or else it is not much use. If you have to wait a week or two weeks or ten days before you can get that \$20 or \$30 to help out in an emergent situation it will be no good.

By the Vice-Chairman:

Q. I see by your statement that the cases are dealt with the very day they are received.—A. Yes, sir, that is quite true. At the present time, gentle-

men, there is a slackening up in applications because so many of the veterans are employed in the Veterans' Guard and at various places, thereby being able to look after themselves. During the depression period from 1929 really it was very high. We made disbursement of \$90,000 in 1929. From 1929 up to 1939 we would receive as many as 40 and 50 applications a day at times and our policy was a very successful effort in dealing with them on the same day. The ones that we had delay with were cases where we had to get some additional information. A man did not supply full corroboration of his services; that is very necessary because we have had several cases of men with no service at all trying to get assistance from the fund. But in these cases the delay was only a matter of a few days elapsing because we get excellent co-operation from the Department of National Defence at Ottawa in furnishing us with information regarding the man's service.

By Mr. Marshall:

Q. Are you suggesting, Major Lewis, that funds which accumulate out of the present war will be turned over to boards similar to those which are at the present time operating in the various provinces?—A. Well, I am suggesting some similar arrangement; I am not suggesting it should be done in exactly the same way although I think on the whole the present system has worked pretty well.

By Mr. Castleden:

Q. Our short investigation of the reports from various provinces show that in some of the provinces at any rate it has worked out very very badly; there have been some terrifically poor investments.—A. Yes, I agree with that.

Q. Losses of some \$50, \$60, \$70 thousand, and some evidence of some very bad administration. It seems to me that whereas the province of Ontario seems to have been very successful, throughout the Dominion as a whole it has not been so good, and I do not think the committee at the present time—
—A. I think you will agree that New Brunswick was well administered; Nova Scotia I think made a mistake of making individual loans. We considered we had no right to do that. There was a certain amount of latitude allowed, although I believe if the trustees in every province had adhered to the spirit of the Act this thing would not have happened.

Q. Don't you think that one of the difficulties has been the lack of uniformity?—A. Yes, I have a note here to suggest to the committee there should be something more definite. The Act of 1925, in providing for the disbursement of the funds in the various provinces, was too indefinite; it did not put absolutely on the provincial governments the obligation of supervising the work of the trustees, and it took away from the Dominion, at any rate to a very great extent, supervisory powers. The only thing it provided was that we should submit a report every year of our operations to the Department of Pensions and National Health, and formerly when the late Mr. Scammell, assistant deputy minister, was there we used to get active co-operation from him. He visited us occasionally, he did me, I know, quite often. At that time the reports of the canteen fund committees of all the provinces were put in the report of the department; I think it was during the ministry of Mr. McLaren that they were discontinued. He said the federal government was not particularly interested, and the department was not interested, and they did not publish the reports. I think that was a mistake. I think they should be published. Another thing which I think was one of the factors resulting in certain laxity was that the boards in the other provinces outside of Ontario were too small. The Act provided that the boards should consist of five in Ontario and three in each of the other provinces. I think three is too small. If one man of a pretty strong

character is chairman and does not bother hiring a staff to look after things, decides more or less to do the work himself, he can do pretty much what he likes. That is what happened in Saskatchewan.

By Mr. Marshall:

Q. What are the names of your board?—A. Major General Victor Williams, who was in Ottawa here in the department for many years, is chairman and has been from the inception. Colonel B. O. Hooper is one of the members. Captain J. J. Ferry of Sudbury, Private Bould of Kingston, and for the first eight years Captain W. S. Haney of Sarnia was a member. He made some changes in his business in 1936 and retired and Colonel William Kippen of London was appointed in his place. That is the board as constituted at present. I have been secretary-treasurer from its inception, and perhaps I may say this as an excuse for the fact that I am talking so much, that I was a member of the Soldiers' Aid Commission of Ontario from 1923 to 1929, and being the member who lived in Toronto I was active Supervising Commissioner and have had fairly wide experience in dealing with these chaps from the last war, and it has been a most delightful experience.

By Mr. Marshall:

Q. I should like to say this: I have examined the financial statement submitted by seven provinces out of the nine, and I believe that yours has been about the best administered that I have yet struck in the whole seven. There is one point, however, I should like to ask you about, and that is the loan which you have outstanding of \$50,000.—A. That is not a loan we made, sir. Perhaps I can explain it this way.

Q. It says here "One of these bonds is held by the bank as collateral security for a bank loan of \$50,000 and is confirmed by letters of the bank to the auditors, having been examined by us on June 30." That is 1929, and it runs through the whole statement, and it is shown on the Ontario statement that has been submitted to us as \$735,724.09 less bank loan \$50,000. I am wondering, Major Lewis, what rate of interest is being charged on that bank loan and what the rate of interest is on the bonds which are held by the bank as collateral security?—A. We get 5 per cent on the provincial bond that the bank holds and we are paying bank interest of $3\frac{1}{2}$ per cent on the loan. I should like to explain that further. We have \$700,000 in \$100,000 bonds of the province of Ontario bearing interest of 5 per cent. When we got to the point where we had exhausted our money in the bank in '39, instead of selling a bond and taking a chance of investing the funds we did not want to use at a smaller rate of interest we arranged with the bank for this loan, which is a much cheaper way of doing it.

Q. Are the securities which you hold now the same as in 1927?—A. No, sir. In 1927 the first return we got amounted to some \$728,000. I am speaking subject to a variation of \$1,000 or so. We made arrangements with the government of Ontario at that time and that money was put into government bonds. Then as more money came to us from Ottawa we bought in the market; and I may say that during those early years we were very successful. We bought nothing but trust fund bonds and we were able to sell those when it came time to liquidate our loan with the government and we made a profit of about \$3,500 on the sale of the odd bonds and invested the whole thing then in government bonds.

Q. All of your assets are now in— —A. Ontario government bonds.

Q. Province of Ontario bonds?—A. Yes, sir. We have \$25,000 in Victory loan bonds.

Q. None of the city of Hamilton or Saskatoon bonds?—A. No, we sold those.

Q. These have all been disposed of?—A. Yes.

Mr. CASTLEDEN: The witness said he believed the trouble in Saskatchewan was with the chairman. I think it is probably the fact that he has not read the evidence. I think the evidence shows it was not the chairman it was the two other members.

The WITNESS: I am sorry. I am glad you made that correction. You are quite correct, it was not the chairman it was the other two members and one in particular.

Mr. CASTLEDEN: They were in collusion, probably.

The WITNESS: You are quite right, sir. I am glad you made that correction.

By Mr. Marshall:

Q. Have you checked page 6?—A. What is that?

Q. The statement given us by Mr. Dixon.—A. I have not seen it.

Mr. CASTLEDEN: I think it ought to be pointed out to the witness this was merely prepared to give us approximate amounts and give us a general picture; it was not intended to be an exact audited account.

By Mr. Marshall:

Q. Have you considered these figures? Do you think they are substantially correct?—A. Substantially correct, yes, sir. As a matter of fact the balance there is absolutely correct and so I assume the others would be. That is, up to 1941. There is a mistake here in connection with the Canadian Legion. Up to the end of March 31, 1942, that should be \$132,000 instead of \$136,000.

Q. There was a little mistake made I think in 1931. I think the amount that was turned over to the Canadian Legion in '31 was \$13,000.—A. No.

Q. I think there is a mistake in the amount in 1931. I think it was for the first two or three months.—A. We gave them a grant of \$4,000 to pay off some outstanding debts and an additional grant to carry on for the balance of the year. It did not amount to this sum. I am sure there is a discrepancy of \$4,000 there. The education is a little low. Up to the end of March of the present year it amounted to \$120,352.

Q. I do not think the last statement is included.—A. No, but even up to the end of March '41 it was \$117,096, instead of \$112,679, and the Canadian Legion was \$132,000 less \$3,500.

Q. I checked those figures very carefully, sir, and the only mistake I could find was in the grant to the Canadian Legion, 1931.—A. Well, there is a difference in the educational assistance there. Up to the end of March, 1941, that amounted to \$117,096.26.

Q. What would be the ratio as between the amount expended for relief and the amount expended for administration?—A. I just did not get the whole of that question.

Q. What is the ratio between the amount spent for relief and the amount spent for administration in the province?—A. Our administrative expenses for the fourteen years have been 12½ per cent.

Q. Of the total amount disbursed?—A. Yes.

By Mr. Castleden:

Q. Would you recommend a division of power of the board with regard to the investment of moneys handed to the various provincial boards?—A. Of course. These boards are all governed by the general law governing trustee

investments. They have no right to invest trust money in anything but trust investments. Some of them invested the money in investments that were not trust investments. That is why I say there should be a closer supervision.

By Mr. Marshall:

Q. By whom?—A. The department.

Q. Which?—A. Either one.

Q. Where does the responsibility rest to-day?—A. There probably is none.

Q. The whole responsibility rests—A. Rests on the board.

Q. On the board of trustees?—A. Subject to the annual report to the Department of Pensions and National Health each board does practically as it likes.

By Mr. Green:

Q. In the recommendation made by the general Advisory Committee on Demobilization and Rehabilitation which will be found on page 29 of the report of the proceedings of this committee there is one that would get around that.—A. One of them? The only one I call to mind is one regarding the centralization of the fund in Ottawa, the centralization of authority here; and the objection to that is as I have stated, it means too much delay in dealing with applications. I think in order to give the men the kind of service that this committee wants to give them you have to have the funds administered provincially; but in order to see that it is administered satisfactorily you have to have proper supervision. I do not care what board you appoint they should be supervised; I do not care who is the active supervisor of the fund he should be supervised, he should have to make a definite return to a responsible body.

By Mr. Marshall:

Q. Are you bonded?—A. Yes, sir.

Q. What amount?—A. \$30,000.

By Mr. Green:

Q. Do you think it should be supervised by the dominion over its own employees or its own appointees or supervision by the dominion over the appointees of the provincial governments? The latter course would seem to present a good many difficulties.—A. Would you say the latter course would present the same difficulties as the present difficulties?

Q. For example, suppose the dominion appointed a board in Ontario directly responsible to the dominion government.—A. Yes.

Q. Then I could see they could supervise.—A. Yes.

Q. Very closely.—A. I quite agree with that.

Q. Suppose they did as was done after the last war and asked the provincial government to appoint a trustee board.—A. I do not think you can work it out that way as satisfactorily.

Q. That is the present position?—A. Yes; they had the added difficulty that there was no real supervision either by the dominion or by the provinces.

Q. Your suggestion would be that the dominion appoint the board for each province, which board would be directly responsible to the dominion?—A. Well, I rather think that would be the most satisfactory way.

Q. In other words the provincial government would be completely out of the picture?—A. Yes. After all, it is not in any way provincial funds, neither is it a federal fund; it is a soldiers' fund, but under the supervision of the federal government.

Q. Just the same as the soldiers'—A. I think they should retain their responsibility in connection with the supervision of it and seeing that it is properly administered. Of course when they drew up the Act in the last war they had no experience to go on; but at the same time I have always felt that the Act was a little too indefinite. It really removed or at any rate it gave the federal authorities the opportunity to say that it removed the responsibility from them, but it did not definitely place it on the provincial government.

Q. Yes, I can see where the trouble would arise under those conditions.—A. Then, of course, as has been suggested here, while the general law governing the investment of trust funds certainly applies to such funds as those, some of the trustees in some of the provinces did not seem to realize that.

Q. Recommendation 6-F on page 47 as to the investment of those funds recommends that they should be invested in dominion government securities.—

A. I think that is a very good suggestion although I do not think you should restrict it to dominion government securities. Sometimes provincial government securities are attractive. Of course, if they are going to be all administered at Ottawa you might be able to make the same favourable arrangement that we made in Ontario and get the government to take these bonds at a fixed rate of interest. We have had 5 per cent from 1927.

Q. You are getting more than the prevailing rate.—A. Yes. The Ontario government recognized that these were funds derived from money the soldiers spent in the war, which is being administered after all for the ex-service men, men who gave their service, and it is being expended for the benefit of the men who created the fund.

Q. The Ontario government is really subsidizing the fund?—A. Yes, to the extent of the difference between what we could get on the open market as compared with what we get from the provincial bonds.

Q. Have you gone over the recommendations of this committee?—A. What is that?

Q. Have you gone over the first volume of the proceedings of the committee?—A. No. 1?

Q. Yes, the recommendations appear on page 46. I think it would be very helpful if we could get your comments on each one of these recommendations.—

A. Well, taking the recommendations on page 46, I think I might say that with reservation—I would like to think them over—I agree with them largely. I am not so sure about the recommendations regarding the constitution of the boards:—

A Dominion Board of Trustees consisting of the Chief Justice of Canada; the Auditor-General of Canada; . . .

Those men are busy men and how much time they would feel like giving to real active consideration of this sort of work might be very doubtful.

Q. Would you suggest that it would be wiser to have a board that had more time?—A. Yes, I would; and I think you would have no difficulty in securing the services of men—I think they should be largely ex-servicemen—men who were in the war and know the troops, and know their attitude and their frame of mind. That is very important.

The VICE-CHAIRMAN: Major Lewis, could you give us your reaction to every one of these recommendations, 1, 2, 3, 4 and 5?

The WITNESS: "(C) 1. That such profits or proceeds as may be derived from canteen and institute sales and directed to be expended on behalf of and for the welfare of ex-members of the armed forces of Canada during the present hostilities should be deposited with the Receiver General of Canada."

Well, I am not just certain what would then be the disposition of the funds deposited with the Receiver General; does he invest those funds in dominion securities?

Mr. GREEN: I think that is the suggestion.

Mr. MARSHALL: Yes, the investment of those funds should be in Dominion Government securities according to 6 (f).

The WITNESS: Yes.

By Mr. Green:

Q. Recommendation 1, I think, simply means that the money be paid?—

A. Paid in as it accumulates?

Q. Yes.—A. That seems a very wise thing to do, I should think.

2. That such profits or proceeds as may be derived from other organizations rendering service to the armed forces of Canada and which moneys may be designated to be devoted for expenditure on behalf of or for the welfare of ex-service men of this war should be deposited with the Receiver General.

I think there can be no disagreement with either of those two.

3. That the appropriate officers of the Department of National Defence charged with the control of canteens and institutes should be authorized to take special steps to ensure that capital expenditures be carefully controlled at or about the time of the armistice, with a view to conserving profits and salvaging proceeds for the benefit of the ex-members of the forces, and that the Director of Auxiliary Services be authorized to effect demobilization of Auxiliary Services, and to arrange for the proper handling of salvage in stores in such a way as to maintain whatever equity can be maintained on behalf of the ex-service men.

That, of course, deals entirely with demobilization.

Q. That deals with canteen officials.—A. It deals with the canteens at the end of the war. I do not see any argument about that.

4. That on demobilization arrangements be made for prompt final audits of all financial operations and commitments by all organizations serving the armed forces and a clear public statement issued as soon as conveniently possible after demobilization as to the amount of money available for the welfare of ex-service men of this war, and clear statements as to custodianship and control of same.

That is the logical thing to do.

5. That the custodianship, investment, control and disbursement of all such moneys thus made available for the welfare of ex-service men be administered under the authority of Act of Parliament and by a Board of Trustees properly constituted.

That is quite right.

Q. Do you agree with that, because in a way that is in direct conflict with your local disbursements?—A. I am not saying there should be a board of trustees to administer the whole fund for the whole of Canada.

Q. That is what it says?—A. If it does, I disagree with it entirely.

Q. It says: "That the custodianship, investment, control and disbursement..."—A. That seems to rather disagree with some of the recommendations in section 6, does it not? I would not agree at all that a central committee should administer the fund. As I say, it would certainly result in very needless delay in dealing with many hundreds or thousands of applications.

Q. You would agree that the custodianship and investment should remain with the Dominion Trustee Boards, would you not?—A. No, I would not agree with that unless arrangements were made whereby each provincial organization delegated to administer the fund for the province would be given from time to time an allotment of money to deal with in that province, because the same thing would apply if a local board in Manitoba had to send its recommendations to Ottawa in order to have a cheque issued; it is unnecessary delay and very serious delay for the applicant.

Q. This whole plan seems to be based on a Dominion Board of Trustees with advisory committees in the provinces?—A. As I see that, they have advisory committees in Ottawa and in the provinces and so on. I think that is too cumbersome. The simpler you can make your administration of such a fund subject to proper supervision the more efficient it is. If you are going to have a Dominion Board of Trustees and then a Dominion Advisory Committee consisting of ex-service men and then a District Advisory Committee in the administration area why you are just duplicating the work; and, as a matter of fact, you are creating an organization that will not function.

Q. Yes, and I presume if you had an advisory committee in (3) without any real powers you would not get very serious consideration given to the problems of this committee?—A. I agree with that. I think the set-up as suggested in section 6 is unworkable.

The VICE-CHAIRMAN: Have you a further statement to make?

The WITNESS: I made a few notes. The first was the question of the centralization of administration at Ottawa. Then in connection with the administration of the funds by provinces, if the authority is delegated to provincial boards it should be made very clear that the board should not have authority to delegate any part of its powers to administer or distribute any part of the moneys entrusted to it to any other body. I think that is very important.

By Mr. Green:

Q. What is that?—A. I am suggesting that having the fund administered in the provinces by boards appointed by Ottawa—that if that is carried out it should be made very clear in the Act that those boards have no authority to delegate any part of their powers or authority to administer the moneys to any other body. They will be worried with people constantly—not so much lately because they have come to realize that it will not be done—but we have received a number of applications from various soldier organizations and other organizations suggesting that we should let them have a specific sum of anywhere from \$1,000 to \$10,000 or \$20,000 to be administered for certain purposes by them. I have no doubt of the honesty of their intentions, but it is unworkable.

Q. That problem arises through different soldier organizations asking for payments to them which they would administer?—A. Yes, payments to them for the benefit of men in their districts or in their special organization.

Q. You are firmly against that?—A. Yes, we have refused to do it. As a matter of fact, we have assumed from the beginning that we had no authority to do it; but we get all sorts of applications from returned men's organizations wanting assistance to build clubhouses. Some of the provincial authorities did do that, they granted assistance toward the building of clubhouses. We have refused to do that.

By Mr. MacKenzie (Neepawa):

Q. That is not the same thing as a contribution to be made to the Legion?—A. No, our contributions to the Legion were entirely for the purpose of assisting in financing their service bureaus in the services which were given regardless

of what organization the applicants belonged to or whether they belonged to any, and our own auditor audits the accounts of the service bureaus a couple of times a year and gives us a final audit at the end of the year showing that the moneys granted by us have been used entirely in the work of the service bureaus. Then, in connection with educational assistance—and I think that is a very important part of the work to be done by one of these funds—in fact we started out with the idea that that would be, perhaps, our most important function, but when the depression hit us in 1929 we simply had to use the largest part of our contribution for the relief of cases of illness among ex-service men and their families who, owing to the depression, could not do it themselves; but assistance with education is very important. One point I do want to suggest is that if there is provision made for educational assistance it certainly should not be in the form of the payment of scholarships: bursaries would be the proper method of dealing with the kind of cases that come within the scope of such a fund as this; because with scholarships, if we establish them, they may very frequently be won by students whose families are able to look after such expenses themselves, whereas a bursary is dealt with on the basis of the need of the family and of the applicant, and that is the way we have dealt with that matter, and we have had some wonderfully gratifying cases which we have assisted with college educations and business college courses. We have put 240 ex-service men's children through business courses alone, and we have had only two failures.

By Mr. Green:

Q. Do you advance the money by way of loan?—A. No, sir, we pay the bills ourselves.

Q. There are no loans?—A. We pay the bills; we authorize them to incur the expense and then we pay the bills.

By Mr. Macmillan:

Q. I notice in the total allotment of over \$1,000,000 you have allocated \$120,000 for educational purposes?—A. We did not allocate that amount, sir, that happens to be the amount we spent on all the applications we received.

Q. That is what I mean.—A. Yes.

Q. That assistance, I suppose, went largely to the orphans?—A. To a very great extent—I should say probably 80 per cent of the educational assistance was to, perhaps, not orphans, but to children whose fathers are dead.

Q. The children of men who died either in battle or later as the result of war services?—A. Or who died regardless of whether it was war service or not.

Q. Have you found that to be a good investment?—A. I think it is the best we have made.

Q. If you will look at page 46 of No. 1 of the minutes of proceedings of evidence, on the first line there appears the recommendation of the committee with regard to the administration of special funds: "... it is doubtful whether scholarship projects. . . ." That does not mean, in my judgment, scholarships, but educational projects. "... it is doubtful whether scholarship projects should be included in objects to which the fund might be devoted?"—A. Where is that section?

Q. At the top of page 46.

MR. GREEN: It starts at the bottom of page 45 and runs on to page 46.

THE WITNESS: "... it is doubtful whether scholarship projects should be included in objects to which the fund might be devoted."

By Mr. Macmillan:

Q. "The rehabilitation of the head of a family is the essential prerequisite to the acceptance of his proper responsibility for the opportunities given his children. . . ." You are thinking more of the case where there was no head of the family, no man to rehabilitate?—A. Yes, but there is the case where you have a man whom you cannot rehabilitate; you cannot rehabilitate a man and put him in a position to educate his family if he has not got, for instance, the ability—

Q. If he does not come back?—A. Even if he is back, we have cases of children who have been assisted where the father is alive but is a man of very low earning capacity and could not possibly educate his children—could not give a business course when he is getting \$18 a week. He cannot pay for a business course for his children.

Q. And then there is your suggestion with regard to bursaries which means that you treat his case according to its need?—A. According to its need, on its own merit.

Q. I agree with you. You do not agree with that comment at all?—A. No, sir.

Q. On pages 47 and 48 appear the objects which are recommended as proper purposes of this fund and education is omitted. There are four or five positive recommendations, the only negative recommendation in this report is on education. You do not agree with that?—A. I do not agree with that. I think the most important work we can do is to assist as far as possible the education of ex-service men's children.

Q. Do you find, Major Lewis, that the men themselves, who really own this fund — that they approve wholly of the educational plan?—A. There is a file of letters, sir, from organizations and individuals in connection with the administration of the fund and I should say that 40 per cent of them are dealing with educational assistance.

Q. Do you have any administrative difficulties in administering the fund?—A. In connection with the whole fund, do you mean?

Q. No, educational difficulties?—A. None whatever.

Q. How did you distribute those funds?—A. We take an application from a widowed mother, perhaps, for educational assistance for her son or daughter and we get a report as to the family's condition, what income there is, we get a report from the principal of the school at which the student has been in attendance as to that student's possibilities and fitness for the course he wants to take, and if we are satisfied that the money would be wisely invested in assisting with that education then we authorize them to undertake the expense and we pay direct to the educational authority.

Q. And without your help a large majority of those children would not have received an adequate education?—A. That is quite true. As a matter of fact, I think I could say that without our help there would not be 1 per cent of them who would have received the education that they have today.

Q. And now they are doing useful work?—A. We have had, as I say, 240, taking one class alone, taking business courses. That course takes about ten months and costs us about \$185 or \$200 each, and if the student happens to be a girl we try to see that she is adequately clothed and does not have to feel ashamed among her colleagues.

Q. And you insist that that is a wise course for the future?—A. I am quite sure of it, sir.

By Mr. Green:

Q. Would you say, Major, that the best results that could be obtained from this money would be to have it applied toward education?—A. I think it is most important work. I would like to put it this way: as I said before, we started out with the idea that the educational factor would be our most important work, and we still think it is the most important and the most satisfactory; but as regards a fund of this nature, after this war is over, you will find thousands of cases of men who need a little temporary assistance when they are ill. Take the case of a man earning an ordinary salary and who has a family of four or five and becomes ill. In most cases he has no reserve of finances. We think the returned man who did his part in the war should not be dependent entirely upon ordinary sources of relief for the money that he needs to look after his family while he is sick; and the same thing goes for a man who is unemployed and has sickness in his family. We make a grant for perhaps one month or two months or six months.

Q. The general tenor of the recommendations of this committee is that the funds should be used up quickly, a short time after the war — at least, there should be an attempt to use it up in a shorter space of time. They do not seem to place much emphasis at all on helping out the veterans or their families as has been done with the money since the last war?—A. There is an experience in Ontario of that very situation in connection with the Imperial Canteen Fund. The fund administered by the boards in Canada was for Canadian soldiers only, and not for Imperial soldiers, because the Imperials came under the fund of the United Services Fund in England, and they started out with a very elaborate scheme of establishing orphanages and schools for ex-service men's children and all that sort of thing, with the result over \$60,000,000 — I think that is approximately what they had — was all gone years ago. They sent an allotment to Canada in 1925 or 1926 to be administered for Imperials here. It was all exhausted about ten years ago or more and they could not get any more because the fund was all gone. We have been receiving applications from these Imperials; we cannot help them; and there is no fund from which they can be helped because of the fact that there was a too elaborate scheme. The same thing happened in Australia; they engaged in expenditures for schools. I think that is ridiculous. They had all the basic services for those things already established, and it is only a question of a certain amount of monetary assistance, and that is very important.

Q. Could you go over these objects at the bottom of page 47?—A. Yes. "1. For the assistance of distress of ex-service men or of their families by loan or grant where adequate assistance is not available from government or other sources".

I agree with that subject to this, that that should not apply in the case where the distress is the result of unemployment. If you start relieving unemployment cases your fund will be all gone in the course of two or three years.

By Mr. MacDonald:

Q. Major Lewis, in that connection I notice that the original amount that the Ontario fund received was approximately \$950,000?—A. That is right, sir.

Q. And today you have slightly less than \$700,000 still on hand?—A. Yes, sir.

Q. Which means that only \$250,000 has been used during the period you have been administering the fund?—A. Yes. We have used two hundred odd thousand dollars of our original capital. We built the original capital up to a capital sum of \$1,039,000 by 1939 by transfers from income which were not used during those two preliminary years of administration—they were not

distributed—we transferred \$46,000 from income to our capital sum which in 1939 gave us \$1,039,000, and of that we have left \$693,672.97, balance on March 31, 1942.

Q. Now, you suggested that a large portion of the fund which is received from the canteen profits should be used for education. I take it you mean the education of the returned soldier and his children?—A. Well, it is largely a matter of the education of the children. In our experience we have only had, I should say—I think I can remember them all—we have had four applications from men themselves for assistance with their education; but we have had many applications regarding the education of children.

Q. Well, the children of veterans of the last war are becoming adults by now and it would not appear that much of this fund will be used for the education of those children—A. Mr. Macdonald, from a very careful analysis of a large cross-section of our 20,000 files, allowing a 25 per cent death rate which you will admit is fairly high, we still have in Ontario 39,000 soldiers' children under 5 years of age.

Q. That is a surprise to me?—A. Yes, it was to me too.

Q. Even at that, \$685,000 still remains undisposed of?—A. Yes.

Q. Do you think it likely that it will be used for the education of those children? Only a small number of them will want assistance?—A. Not all for education, because in addition to the educational factor we will still have, as soon as this war is over the returned men who are now serving in the veterans' guard and have jobs they can fill—many of them are going to be out of work again.

Mr. MARSHALL: Surely not.

The WITNESS: Oh, yes.

By Mr. Macdonald (Brantford):

Q. I understood you to say that you do not approve of using the fund for unemployment relief?—A. Yes; we have never used any of our fund for unemployment relief cases or the results of unemployment, but we have distributed a large sum of money to ex-service men who needed it because there was illness in connection with themselves or their families and they had not any income to meet the expenses—not their doctor's bills; we do not pay doctor's bills; we just help the family.

Q. The matter I am concerned with is that there are \$685,000 representing the profits from canteen funds which were to be used for the ex-service men of the last war?—A. Yes.

Q. And I am just afraid that the ex-service men of the last war will all be in another world long before that fund is used up at the rate at which it is being used at the present time?—A. Well, if this year's rate, for instance, continued indefinitely the fund would last probably for twenty years, but on an actuarial report we are of the opinion that this fund will be entirely exhausted in fourteen years. At that time there will be thousands and thousands of returned men still living who could use some of it. We are quite convinced, sir, as the result of our experience, and this is not the first time that question has bothered us—right in the early days of our administration back about 1930 we had the services of a board of actuaries—five of the best insurance actuaries in Ontario—work out for us a basis of what they thought the life of the fund would be, applying their insurance experience—actuarial experience to the number of ex-service men then living in the province and they agreed with the figures I have been giving to the committee today. We are convinced that this fund will all be expended long before the last ex-service man has passed to his reward.

Q. I am glad to hear that, Major Lewis, because I think practically all of the members of this committee feel that the canteen profits should be used for the direct benefit of those who contributed to them and probably through you to the dependents; we do not want it passed on from generation to generation. I am expressing my own opinion, and I believe that the canteen funds should be used for the benefit of the men who contributed to them?—A. Quite so, sir. We have worked on that basis ever since we started administering the Ontario fund. Our idea is exactly as you expressed it, that the fund should be distributed entirely to men who served in the last war, and that there should be none of the fund left after those men are gone—absolutely none—and we have worked with that end in view. I may say that our experience of fourteen years convinces us that it will be all used up long before the last man has gone; in fact, there will be many men left who could very well use some of it after the fund is all gone.

Mr. MARSHALL: You are painting a rather gloomy picture of the conditions after the war.

The WITNESS: No, sir. I am speaking of what I think are the facts.

Mr. GREEN: The information which Major Lewis has given us has been most helpful and I think it goes to the root of our problem, and I wonder if it would be possible to have him back again before the committee so that he could go further into the recommendations which have been made by the departmental committee?

The WITNESS: I would like to say I am at the service of the committee completely. I am sorry that to-day I am not in a position to deal intelligently with these matters. My summons came to my office on Saturday and I was not there, but I went down on Sunday and read over some matters, but I did not have time to study these facts.

The VICE-CHAIRMAN: You have given us some very interesting data to work upon. I wonder if it would be possible for you to return on Tuesday?

Mr. MACDONALD (*Brantford*): I would suggest that we could meet to-morrow morning, and that would obviate bringing Major Lewis back from Toronto next Tuesday.

The WITNESS: I shall be glad to stay over until to-morrow if the committee so desire, but later I should like to go through these matters carefully and submit something in writing.

Mr. MARSHALL: Major Lewis said he would like to go through these matters and submit a written recommendation.

Mr. GREEN: His story will be of the utmost use to us. We have had one side of the picture and now he has given us the other side.

The VICE-CHAIRMAN: If the committee is agreeable we will adjourn to meet to-morrow morning at 11.30.

The committee adjourned to meet Friday, June 12th, at 11.30 o'clock a.m.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

Room 277,

June 12, 1942.

The Select Committee on Canteen Funds met this day at 11.30 o'clock a.m. The vice-chairman, Mr. J. A. Blanchette, presided.

The VICE-CHAIRMAN: Gentlemen, the clerk has just given me a statement of canteen transactions for naval canteens filed by Captain Cossette, R.C.N., and 75 copies of this report are being prepared and will be available later for the information of members of the committee.

Now, this morning Major Alex. C. Lewis, K.C., secretary-treasurer of the Ontario Canteen Fund Trustees, will be with us again. Major Lewis gave us part of his submission yesterday and he will continue with his submission to-day, giving especially his comments on the report of the sub-committee on the administration of special funds. I think Major Lewis will give us comments on recommendations found on pages 45 and 46 of No. 1 of our minutes of proceedings and evidence; he will also refer to pages 27 and 29. I will call Major Lewis.

Major ALEX. C. LEWIS, called.

The WITNESS: Mr. Chairman and gentlemen, I shall refer to page 27 first and then to pages 45 and 46. At the conclusion of my evidence yesterday one of the members of the committee asked me to go through the report of the sub-committee and make comments which occur to me in connection with the recommendations made as to how this fund should be administered after the present war. I took the opportunity yesterday afternoon of reading through the report very carefully. You will remember, sir, that the arrangement was that to-day I would make verbal comments which occur to me, and later, if necessary, I shall present a brief containing my ideas as to how that work should be treated. So I am now dealing with the minutes of proceedings, volume No. 1 of Thursday, April 30 and May 5, 1942, of this committee, and on page 27 appears the report of the committee of which Mr. J. W. Macdonnell was chairman. On page 27 there is a question as to whether or not there should be three separate funds, one for the army, one for the navy and one for the air force at the conclusion of this war or whether they should be consolidated and administered in one fund. There was considerable suggestion from some of the witnesses that there should be three funds, but the committee were of the opinion that one fund would be more advisable, and I just wish to say, sir, that I agree entirely, from my experience, with the recommendation of the committee that one fund for all the services would be much better. I have made a note on this particular point: "I favour one central fund. The men of each branch give equal service, are all entitled to equal consideration. The distribution equalizes on the basis of enlistment and administration is more efficient and more economical."

I think that is really a most important point: instead of having three administrative bodies you have one, and it makes a very great difference; and it occurs to me, although it is none of my business, to ask what arrangement has been made regarding the profits from the canteens operated overseas. In the last war, you will remember, once we got overseas the canteens were British Expeditionary Force canteens and it was from the profits of those canteens that

a large part of our fund came. I am not certain, but I rather think at the present time overseas the canteens are not contributing to the central fund, and I really think it is very important that they should. That is only my suggestion, and it is not particularly my business.

On page 45—I was asked to speak on pages 45, 46 and 47 and to make any comments that occur to me, and I shall now refer to page 45, B (1). There is the suggestion that: "...there has been great variety in control and methods and in the criteria governing the forms of assistance to veterans." The report says: "The conclusion can hardly be resisted that while much good was undoubtedly done, more could have been accomplished by centralized control, the establishment of dominion standards of assistance, and a broader based and more scientifically built policy of investigation and aid which might well have resulted in less administrative cost."

The difficulty as I see it with the suggestion as made there—it is a very worthy suggestion but practically it is very difficult to work out. Organizations are springing up constantly and some of them spring up and last for very long periods which are able to secure funds from various sources that are open to them, and they use these funds to assist the men in their immediate neighbourhood or to assist men who belong to their particular unit or something of that nature, and if they were not allowed to do that the money would not go to a central committee. It is a specialized personal effort, and if you discourage that you cut off a lot of assistance which the ex-service men get from such funds, and you do not benefit the central fund because the people who subscribe to those little funds do not subscribe to the central fund and they would not give the money at all if they did not give it to the local organization.

Paragraph 2, (a): "At the time it seemed that there were certain advantages in decentralization of control of these funds to provincial boards but it is not clear that these were obligated to conform to careful standards of custodianship, investment, audit and control, and they do not appear to have been restricted as to the type of security in which funds were invested."

That is dealing with the canteen fund from the last war as operated at the present time by provincial boards in various provinces of Canada. We touched on this matter yesterday, and I think it is a very important point. I do not agree with centralization of the entire fund, but I do feel very strongly, as I said to the committee yesterday, that the Act under which the canteen fund boards at the present time are working in the provinces is too vague, it is not sufficiently definite in outlining the duties of the board and particularly in instructing the boards as to the class of investments they should invest their funds in. Now, naturally we are re-threshing some of the things we discussed yesterday, but the canteen funds are trust funds and anybody administering them should realize that they can only be invested in trust securities as laid down in the general Act. Apparently, some of the trustees did not realize that and the result was there were some unfortunate investments in some of the provinces; but that could properly be looked after by providing in the Act specifically that these funds must not be invested in anything but trust securities: that means government securities and municipal securities and so on, approved by the government, and to a very great extent that would offset the criticism of decentralization of the fund and its administration by provincial organizations.

I might say something of the form of assistance for which these funds should be used; there should be reasonable latitude given to the boards and that should be set out in the Act; they should be instructed that the money be used for certain specific purposes and then they would know where they are. Under the present system all the boards were given a great deal of latitude because there was no specific responsibility to either the federal or the provincial governments provided by the Act, and a lot of them did a great many things

with the money that they should never have done—not dishonestly, but through poor judgment, may I say; and a great deal of the money was dissipated in connection with activities that should never have been undertaken by boards administering this class of fund.

Then I come to 2 (a), which comes largely under the remarks I have been making. They talk about, “in many cases there was support of activities and assistance in the purchase of properties of ex-service men, organizations with consequent doubtful exercise of their authority under section 10 of the Act. Order in Council setting up boards recited the objects outlined in the Act, but there does not appear to have been any dominion statutory authority that could question disbursements or effect control.”

That is one of the activities I have just been referring to. In several provinces—and I am not going to name the particular ones—in several provinces grants were made to various soldier organizations to assist them in buying property and building clubhouses and that sort of thing. I disagree entirely with that sort of administration of such a fund as this. The result was that in that way a great deal of money was disbursed which never came back and which really was not of any benefit to the general returned men. These funds are the men's funds derived from the money spent by them and should be administered for the benefit of the entire constituency of veterans of the war.

Section (c): “In the case of several boards, the records cannot be regarded as satisfactory”.

That is all part of the same discussion, and my only note on that is what I have been explaining to the committee that I think the directions in the Canteen Fund Act of 1925 were too vague; that there should have been more definite instructions and more direct responsibility of the various boards through some one authority.

(d) That deals with the Ontario situation, and I will not speak of that because I submitted a very lengthy brief yesterday which is in the minutes and which deals with that comment.

Paragraph (3): “It has been the experience in the past that the improvident ex-service man has been able to secure help from a variety of funds, local, provincial and national, and there is some element of doubt as to the wisdom of the indiscriminate monetary grant in such cases”.

Well, of course, no one could argue that that has not happened, but I do not see how you can prevent it. Unless you are going to have such an absolutely rigid administration of a fund of this nature that a man will have very great difficulty in getting any assistance at all then you have got to take the risk that some men, one or two men out of hundreds, may get a grant from each of two or three organizations at the same time. That happens occasionally. There is no question about it. We have in Toronto, helping returned men, the Ontario Canteen Fund, the Soldiers' Aid Commission of Ontario, the Canadian Red Cross, the Poppy Fund, and the Last Post — this last organization looks after the funerals. It has been known that a man will get a grant from the Soldiers' Aid Commission and from the Canteen Fund, but it could not happen very often because we work in collusion, and we make reports to each other; we refer cases back and forwards. One organization can deal with a certain type of case which another organization cannot. We are in pretty close touch with each other. While I say there may be a certain amount of overlapping, I cannot see how you can prevent it unless you are going to make such iron-clad rules that they would destroy the object of the administration of the fund entirely.

Paragraph 4: “Members of a carefully selected Dominion Board of Trustees would, in the future, probably wish to develop the assistance to veterans on more constructive lines than the making of monetary grants without subsequent follow-

up of the cases. Since the structure of relief for necessitous cases in Canada is now much more complete than in 1919, emphasis might well be laid upon civil reestablishment projects. It may be noted that in the past one of the projects to which funds might be devoted was the education of children of veterans. Since education is a provincial matter and the encouragement of talent by means of education would probably lie within the provincial sphere, it is doubtful whether scholarship projects should be included in objects to which the fund might be devoted. The rehabilitation of the head of the family is the essential prerequisite to the acceptance of his proper responsibility for the opportunities given his children, so that attention might be directed to this main object".

Now, in connection with the first part of that paragraph I think it will rather indicate a rigid administration of the fund by one board for the whole of Canada, and as I have said, I do not believe that this would be satisfactory. Our experience leads to the belief that elasticity of administration within certain reasonable regulations produces the best results for the men. That has been our experience in the last fourteen years in Ontario. What we have to keep in mind in connection with this fund is that after all whoever administers it is administering a fund created from the money of the men and that fund should be administered entirely for the benefit of the men, and the best means of doing that is what you gentlemen want to arrive at. If you have one central board and your investing of the money is centred in one place such as Ottawa or Toronto, or any place else, for the whole of Canada, you are going to create very distressing and unnecessary delay in dealing with cases, and our experience has been that the most of these cases are urgent and they need immediate attention and immediate assistance.

Now, with regard to this question about developing assistance on more constructive lines. Apparently the feeling behind that is that following this war there is not going to be the need for assistance to individuals and that the money could be used for probably soldiers' homes, reestablishment schools for training men to go back into private life and so on. In connection with that I should like to say this: Following the last war the Soldiers' Aid Commission of Ontario, of which I was a member from 1923 until 1929, undertook the training of the men in Ontario as they came back from overseas to refit them for re-entrance into civil life. That system was afterwards taken over by the federal government and put under the Department of Soldiers Civil Re-establishment and applied to the whole of Canada, and I think very properly so, because that is definitely a federal responsibility; the men who go into the service are the responsibility of the government, they acknowledge that when they pay them pensions for disability, and if a man is disabled so that he cannot return to the occupation which he followed prior to the war then I say it is the federal government's responsibility to train that man so that he can go into some other equally remunerative form of earning his livelihood, and that is not the object of a fund such as this. You can dissipate a special fund with a definite limit very quickly by getting into these very worthy objects for which you have not got enough money to carry on for twenty years. They had that experience in England and in Australia, and they had it to a lesser extent in some of the provinces of Canada. You cannot do it with a fund with a fixed limit; you have not got the means of carrying it on indefinitely, and besides, I do not agree with the implied suggestion in this paragraph that there will be no need for assistance to individual ex-service men following this war. No matter how good the arrangements are for putting men back into civil life you are going to have cases when men need assistance, and I may be right or I may be wrong, but my idea in connection with the canteen fund has been that its principal object is to see that the man who served his country overseas, when he is up against it through illness or for some other cause, gets something

more than the ordinary municipal form of relief. Here is a fund that is his fund. He does not feel that he is applying for charity. He goes to the canteen fund and he is getting something that helps him out, something to which he is entitled. I agree with that. We have always used the Ontario fund to supplement to a very great extent the ordinary forms of relief that everybody can get so that returned men get something more. I think that is a very important object of a fund like this. Undoubtedly after this war when these men go back to work we are going to have cases, perhaps thousands of cases, where a man is earning a very limited salary and has a family consisting of a wife and four or five children—some of them have ten or twelve children—and where he has sickness in his family and he cannot handle the situation out of his salary; he cannot get assistance from the municipality because he is working; and the only place where this man can get any help is from a fund like this—our canteen fund in Ontario. You are going to have these cases after the war just as we had them after the last war; we cannot help it.

Now, so far as education is concerned, the last half of that paragraph four, educational assistance: apparently this committee believes that educational assistance is not going to be necessary from the fund following the present war. They take the stand that education is a provincial responsibility, and that is quite true, in so far as providing the facilities for education is concerned; but I do not know of any province in Canada that also pays the school fees or the expenses of the students; and that is all that we do out of canteen funds. Many men from the last war whose positions brought them in very small wages or salaries had very worthy children who were entitled to an opportunity for education, and we were able to assist through the Ontario canteen funds several thousands of these children to receive a proper education. Some of them went straight through university. Some 240 got the benefit of business education that we assisted in. No province is going to do that work and if you are not going to devote a part of your fund from the present war to assisting in the education of the children of ex-service men I think you will make a very very grave mistake. But, as I said yesterday, educational need has not been the greatest activity of the Ontario board financially, but we have always considered it the most important and certainly the most satisfactory when you see the results. You spend your money on a youngster's education and you see the results. You spend a couple of hundred dollars to assist a man through illness and the only thing you do is to alleviate existing conditions and you do not see any after results. And in connection with that I would like to repeat what I said yesterday that if educational assistance is marked as one of the activities for the fund at the end of this war it should not be in the form of establishing scholarships, it should be in the form of bursaries so that children who really need it will be able to get it and it won't go to families which they are quite able to pay their own expenses.

Then, on page 46, paragraph (5)—this is quite long and it deals with government policy.

Government policy in respect of rehabilitation will always find it necessary to consider a large group, and it is always difficult to legislate for a small group or for out-of-line cases. However excellent legislative and administrative arrangements are, regulations are necessarily drafted with a view to restricting abuse and making it possible to bring the various items of public expenditure in this matter into broad categories. As a result of this there are to be found from time to time, cases which cannot be fitted into the cadre of the regulations and a voluntary fund under careful stewardship is the most suitable expedient for taking care of these cases which fall through the meshes of government aid. Furthermore, public authorities find it difficult to spend money on experimental

projects since if they fail, they induce political consequences. It should be the aim, therefore, of voluntary effort to pioneer in areas of re-establishment where it may be difficult for the government, in the initial stages, to frame a national policy. For example, it is hardly likely that the government could take special steps to assist a veteran returning to his occupation as a fisherman, to purchase a boat and fishing tackle in order to re-establish himself, and yet this may be precisely a field where a grant or a loan might enable an ex-serviceman to return promptly to his pre-war occupation.

Now, I do not entirely agree with that. I agree to some extent. I think it is the government's place, as I said before, to undertake the expense and the policy of rehabilitation of the men who served in the forces. I do not disagree with the suggestion that voluntary funds could be very usefully used for that purpose, but I do not consider that the canteen fund is a voluntary fund. I consider that it is a fund which belongs to the men for the whole of the men as far as it can possibly be so administered, and if you start using a portion of the funds for the purpose of creating certain benefits for a specific class of returned men then I think you are doing an injustice, and you may in the final analysis be doing an injury, to a larger number of men who might be benefited by the large sum that would be spent on a rehabilitation scheme. In other words, I do not think you should take a portion of this money which could be used to assist a thousand men and use it to establish a re-training scheme that would benefit perhaps 100 men. I do not think that is one of the objects which this fund should be used for.

By Mr. Green:

Q. You disagree entirely with that sentence which reads: "It should be the aim, therefore, of voluntary effort to pioneer in areas of re-establishment where it may be difficult for the government, in the initial stages, to frame a national policy".—A. I disagree so far as canteen funds are concerned. I say it is all right if you have voluntary funds.

Mr. GREEN: This recommendation deals only with canteen funds.

The WITNESS: I think in this report you will find that they have dealt with various types of funds in addition to canteen funds, some of them donations from private people and some legacies under wills and so on.

By Mr. Marshall:

Q. I was not going to raise this point until you had finished with that section 5, but here is something on page 27 where you say that you agree with one central fund?—A. No, I do not agree with one central fund.

Q. I understood you to say that you agreed with a central fund.—A. Oh, yes, for the three services.

Q. Yes. Now, the Air Force has a fund known as the Benevolent Fund?—A. Yes.

Q. So has the Navy, are you suggesting that these should be thrown in *holus bolus* along with the other funds and administered as one central fund?—A. Those funds are derived from the profits, 1 per cent, from the profits of the canteens; isn't that it?

Q. As far as my information goes, Major Lewis, in the Canteen Fund under the present set-up, there is an amount of about \$212,000 a majority of which, I think with the exception of about \$3,000 of that money, has been derived from the profits of the Canteens operated by the four national organizations, and there is only a very, very small amount which has been derived from the operation of canteens by the troops.—A. In the units?

Q. Yes. You aren't suggesting, are you, that this money from the national organizations and these benevolent funds which are being accumulated by the three branches of the services should be thrown into one and administered by a central body?—A. Yes, I think so, sir; for this reason, you are going to have applications after the war is over and the fund becomes operative, you are going to have applications from ex-members of the Navy, the Air Force and of the Army for assistance from this central fund; so, why should they not contribute to it?

Q. I have my own opinion with respect to it?—A. Yes.

Q. At the moment I do not see any reason why these funds which have been built up for benevolent purposes by the Air Force and by the Navy should be turned into a general fund; that is my personal opinion with respect to it.—A. Are they going to amount at the end of the war to a sufficient sum to do any real work?

Q. So far as our investigations have gone thus far I do not believe we have gone into the matter of the standing of these two funds. I do not think any information has been given to the committee as to the size of the fund. We have never enquired into that at all and I do not think it was within our jurisdiction.—A. You see what I am suggesting; it is this: there is no question as to the worth of the object of these benevolent funds, there is no question about that at all.

Q. Yes, but could they accumulate sufficient money during the war to create a fund which would be of real direct benefit in the way of benevolence or education or whatever they want to use it for?—A. What are they going to use these benevolent funds for?

Q. These questions which you are asking me are very proper questions which might be directed towards the Air Force and towards the Navy, but so far as we as a committee are concerned we have not yet gone into these, because I do not know whether it is within our purview to go into the matter of these benevolent funds or not.—A. I don't either, but you are dealing with the question of the disposal of the profits of canteens operated in the services, aren't you?

Q. That is true, but I have the feeling that a great amount of this money which has been brought into these benevolent funds does not come from the profits of canteens; because my understanding of the evidence given thus far is that the money derived from these canteens has been ploughed back in the way of benefits to the men themselves.—A. That is, the unit canteens, the canteens operated by the units.

Q. Yes, but the amount that has been received from the national organizations over two and a half years of war is only \$212,000.—A. Yes, it is not very large.

Q. No. I just wanted to know whether or not you had given consideration to that.—A. That just raises this thought in my mind, sir; if these benevolent funds are to be used at the close of the war for relief amongst the men of that service, or for educational purposes, then they are going to be used for exactly the same purpose as the general fund is being opened for. At the end of the last war the profits of the canteens operated by the Royal Canadian Navy were included in the general fund and application for assistance from ex-members of the naval forces come to us right along in Ontario and we deal with them the same as we deal with the applications from the other arms of the service. As far as unit canteens are concerned, I can only speak—I do not know much about the operation of the present war, but I assume that it is to a very great extent the same as the last war. In the last war almost every unit operated

canteens; some were very profitable; but as you say, the money was generally ploughed back and never got to the central fund. The amount of money that went into the central fund from the operation of canteens of unit training in Canada was practically nil. They used it to buy extra food for the men and entertainment, and purchase of band instruments and things of that kind. There were no restrictions on its use in that way.

Q. Yes.—A. Then when you got overseas the canteens were centralized in the British Expeditionary Force Canteens, and it was from that source that the large amount of our central fund came after the war.

Q. Thus far we have not been able, I do not think to get any information on that; we have not had any information with respect to the situation as it is overseas.—A. I do not think they are contributing anything from the unit canteens over there; apparently they are still operating to some extent unit canteens in the camps, and I suppose that is natural because of the way in which training is being carried out in the present war.

Q. It is rather strange then that on page 27 you should read this:

The Air Force officers argued strenuously that their benevolent fund should be maintained as it stood and that if any percentage of canteen receipts were to be taken such moneys should be paid to the benevolent fund and not to a general central fund made up of contributions from the canteens operated in all three services.

A similar fund, although perhaps not so well organized nor so far advanced, exists in the Navy, and the representatives of the Navy also took a strong stand in favour of maintaining it and of applying to it any percentage of canteen profits which might be decided upon.

The view of the Army officers was perhaps not so strongly expressed, but was definitely favourable to the creation of a separate fund for each of the three services rather than one central fund for all. We were told that there would be confusion and difficulty in administration if the funds were not so separated. The General Officer Commanding, Canadian Corps, has cabled his view that there should be a fund for each service rather than a joint fund.

—A. I read that with a great deal of interest. I do not say that if it is the feeling of the services or the feeling of the committee, that there should be three separate funds, one for each branch of the service that should not be closed. I do not see any great objection to it except on the basis of economy of operation. I want to say further, that if any branch should have vigorously supported three separate funds it should have been the Army, because I am quite convinced that neither the Navy nor the Air Force fund will be of as large an amount as the Army branch, and I think the men from these other services will suffer accordingly; but, after all, it is a matter of policy.

Mr. Ross: I think you are on safe ground there in your viewpoint. I think these funds should be gathered as far as possible into one central fund. One could easily visualize a case where a man belonging to the Air Force might be turned down on his application there and then he would go to a central fund and get recognition. That would cause confusion right through the whole set-up.

The WITNESS: Of course, if you created three funds, one for each of the services, you would have to specify in your Act that the men from each of the services would be eligible for benefit only through their own fund.

By Mr. Green:

Q. What you mean is that there would be three boards?—A. It would be that, yes; three boards to administer it, certainly.

Well then, if we are through with paragraph (5); I think I have said everything I wanted to say in connection with it. I certainly do not believe in the use of special funds like canteen funds for the purpose of carrying out experimental rehabilitation schemes. I think it would dissipate a lot of the fund which could be used for the benefit of the men generally.

Now, on page 46, the recommendations under C; so far as No. 1 is concerned, regarding the deposit of the funds with the Receiver General of Canada, that is during the formation of the fund and I agree with that, of course. There is nothing to disagree with there.

Paragraph 2 is the same; the deposit of funds with the Receiver General. I agree with that, naturally.

Paragraph 3; that relates to the closing up of the canteens at the end of the war and ensuring that the proceeds in so far as it may be possible are put into the fund. Of course, that is a very reasonable and logical recommendation.

Paragraph 4 is the same thing. That is merely for the purpose of getting the fund into proper shape.

Paragraph 5, which says:—

That the custodianship, investment, control and disbursement of all such moneys thus made available for the welfare of ex-service men be administered under the authority of Act of Parliament and by a board of trustees properly constituted.

Now, I imagine that means one board of trustees for the whole of Canada, because it follows a similar recommendation that the committee has made in another place, and I think it should be considered in connection with paragraph 6 which recommends in (a):

A Dominion Board of Trustees consisting of the Chief Justice of Canada; the Auditor-General of Canada; the Governor of the Bank of Canada; the Minister of Pensions and National Health, and an elected President of a selected veteran organization; with provision for secretarial assistance.

(b) A Dominion Advisory Committee consisting of ex-service men representative of the three services and the Director of the Veterans' Welfare Division, Department of Pensions and National Health, to assist the Board of Trustees in framing policies.

Down as far as that—paragraph 5 and paragraph 6 (a), (b) and (c), I think those should be considered together; and I wonder if I might interpolate just here: I want to congratulate this committee that was headed by Mr. Dixon on the very exhaustive report they have made, and I think they have arranged a splendid basis for the consideration of the manner in which the funds should be used; but I feel, and I am sure that Mr. Dixon would agree with me, that following the death of Mr. Scammel, who was actively in charge of the canteen fund operations; and then his successor entered into active service during the present war; and Mr. Dixon has had this work sent over to him in addition to his regular work, he has had only about two years of experience of receiving the reports of the various committees as a basis for his experience in the operations of this fund; therefore I feel that he has missed something of what those of us who have been in active operation of the funds have learned from our activities. I certainly think that if these recommendations in paragraphs 5 and 6 on page 47 were carried out you would be forming a very cumbersome system and I think one that would lack efficiency. For instance, in the first place, as I have said several times, I do not agree with the centralization of the fund in Canada in one place. I think that is impossible. I think you have got to delegate it provincially or otherwise, and I think perhaps provincially is the more logical way of doing it. You have got to delegate respon-

sibility to other boards of trustees throughout Canada to handle their district so it can be handled with reasonable speed. Now, I have said all that before and I don't want to go over it again; but you take clause (a) of paragraph 6, that the administration be vested in "the Chief Justice of Canada; the Auditor-General of Canada; the Governor of the Bank of Canada, the Minister of Pensions and National Health", and so on: I submit to you, gentlemen, that you are asking four very busy men occupying very important positions to devote sufficient of their time to actively supervise the operation of a very big fund. That is what you are going to do, if this fund is set up properly. I think you will all agree with me that the Chief Justice of Canada and the Minister of Pensions and National Health and the Auditor General and the Governor of the Bank of Canada are not going to be able to give active attention to the supervision of the operations of this fund themselves, they are going to pick out a good secretary who is going to be the man who will carry out the operations; and then at the same time you are going to have an advisory board to advise this board of trustees, and you are going to have other advisory boards who in turn will advise this advisory board what they are to advise the board of trustees. That looks to me as though it is going to be a very cumbersome set-up. I think a much more simple and effective system would be to organize it; by military districts if you want to do that. but, I may say, such a minute subdivision is really unnecessary, that you could probably get better results by having it in provincial units; but have it under central supervision, that should be at Ottawa. I think the dominion government should keep administration and supervision of these funds in its own hands, in the hands of its officers; and I would suggest that the work of this board of trustees at Ottawa could be done by an officer in the Department of Pensions and National Health, and I submit that that is the place where it should be; that your provincial boards should report to this officer, and the reports should be included in the annual reports of the department. And I fail to see where you are going to gain anything by this cumbersome system of advisory committees. One good man here in the department with a good board, and I think the provincial boards, if you adopt that system, should be of at least five members—I do not think they should be less than five members. I think that five members on a board of trustees operating under the Act with definite instructions will enable you to get away from many of the difficulties which have been criticized regarding the administration of some of the funds from the last war. And I would like, incidentally, sir, to suggest here that there have been \$2,500,000 administered by the various provincial boards following the last war, and that in only one province was there any evidence of the slightest peculation. There were mistakes made in other provinces and I think perhaps I have suggested to the committee the reason for these mistakes having occurred; they can be easily avoided if your Act definitely tells them what they shall do and what they shall not do, and in what sort of securities they may invest their fund. You see, following the last war, the departmental officials were left out on a limb. There was no authority given to them to give instructions to you. I used to write to Mr. Scammel and he would give me the best advice he could but he did not have any authority to decide that you should do so and so. As a matter of fact in one or two very difficult cases submitted by us he had to go to the Department of Justice and get an interpretation from them of the section concerned; and it is a simple matter to embody in legislation the result of our experience with this fund since the last war. That is what makes me suggest very strongly that supervision should be kept in the dominion government and in the department; and that you simplify matters by specific legislation, and by having a board in each of the provinces for administrative purposes.

By Mr. Green:

Q. This committee recommended very strongly that the fund be under the control of parliament?—A. Yes, so I understand.

Q. If your plan is followed it would mean that something would have to be done very much like what was done after the last war; in other words that the money would have to be divided between the different provinces and they would hand over control of it to the boards in the different provinces. Would it work out, to have a trustee board here in Ottawa in charge of the fund and then have the disbursements in the provinces made by the provincial board; in other words, have the provincial board handle the disbursing end of it?—A. I do not see why that would not work, except that the provincial board should deal with the applications.

Q. Yes, I agree with that. That is really what you are doing in Ontario at the present time, the provincial government has a lot of your money and it pays you 5 per cent on it, which is more than it would pay if it were held in bonds?—A. Yes.

Q. And in your province where the fund has been very well administered you are really only disbursing it?—A. That is true but perhaps more than that; under that set-up the provincial unit would be the disbursing body and it would be disbursing money on the recommendation of someone else. We deal with cases personally and decide who should get money.

Q. Wouldn't it work out if you had a central board in Ottawa and a resident board in each of the provinces having just that power; they would receive appropriations from Ottawa to disburse under the regulations?—A. Let me see if I am following you: do you mean that the provincial boards should not make any decision as to who should get a grant?

Q. Well, they make this decision subject to check-up later on by the dominion authority.—A. I agree with that.

Q. Say if \$100,000 were appropriated for the provincial board and they are free to use that within the boundaries of their powers as they see fit?—A. Quite so; I think that is a practical suggestion. I do not know of any reason why it would not work quite well. The money would be kept by the Receiver General and invested in Dominion of Canada bonds, as is suggested here—only I want to make this suggestion in the interest of the fund perhaps, I doubt—I have no right to say I doubt—but I do not know whether the Dominion government would take the entire fund and give you 5 per cent on it.

Q. I did not suggest that.—A. Let me get finished. If you divide it amongst the provinces I do not see why every provincial board if they go about it the right way cannot get their provincial government to give them 5 per cent on it. When we got this money we went to the Government of Ontario and pointed out that this was a Soldiers' Fund we were administering; we went to them and said to them, this money belongs to the returned men, why don't you take it and give us 5 per cent; and they gave us a special issue of bonds.

Q. You were very fortunate there, other provincial boards might not be so lucky with their provincial governments?—A. I think they generally could work it if they go about it in the right way.

Q. If you were going to do that the money would have to be taken out of Ottawa and given to the provincial governments.—A. Yes, that is what was done after the last war, and there were arguments against it; the principal argument in favour of it is that you might get a little more interest on your money.

Q. It would become then a matter for the provincial government mainly?—A. Unfortunately the way it was divided after the last war the instructions under the Act were not quite specific enough to make the provincial government

think they had responsibility. While it remained the responsibility of the federal government it was left entirely to the local board to a very large extent. That is the reason why you had some unsatisfactory incidents.

Q. If your suggestion were carried out now would you not be in exactly the same position after this war?—A. No, I do not think so; because you could overcome the difficulties that occurred after the last war by being specific in your Act. If you read the Act of 1925, it is most indefinite, there are no instructions in it as to how funds shall be used, there are certain suggestions.

Q. Yes, but once the money was turned over to the provinces it would be the responsibility of the provincial governments?—A. They need not turn it over to the provincial governments, they could turn it over to the boards of trustees in each of the provinces, you could turn the funds over to them and make them responsible to the department for the administration of them without going to the provincial governments at all, and you could appoint the boards yourself. Under the present Act the provincial government appointed the board and the set-up there was the dominion, not Ontario. We made it a habit of making our report not only to the department at Ottawa but also to the province. I know that in some of the provinces, and probably in most of the rest, there has been no report to the provinces at all. There is no suggestion that they were responsible to the provincial government, and the provincial government does not assume that they are. They have not given us any instructions since we started our work.

Q. Well then, the real job rests with the dominion government rather than with the provincial government?—A. Certainly. The suggestions that I have been making here all morning are that the administration of these soldier funds should be retained for soldiers' affairs in the dominion government, under the federal Department of Pensions and National Health as the logical place for a fund like this.

Q. You would be satisfied if there were a strong board here in Ottawa made up of men who had sufficient time to do a job properly, and then boards in each of the provinces to disburse the money?—A. Quite satisfied. I think it would work out quite satisfactorily. As to the suggestion of this recommendation here, I do not think that would work out, they haven't got the time to do it however eminent the gentlemen are. I think that board should consist almost entirely, if not wholly, of ex-service men who have served in the present war.

Let us see what I got to: page 47, paragraph 6 — we have dealt with that. There is a suggestion down there in clause (d) to paragraph 6:

That the Secretary of the District Advisory Committee in each case be the District Veterans' Welfare Officer of the Department of Pensions and National Health who, in addition to ordinary secretarial duties, will be responsible for reporting on investigation of applications and the carrying out of the policies of the Board of Trustees. That is really a matter of organization.

Q. Is it not his job really to find positions for soldiers?—A. Yes, that is right.

Q. Would the two jobs go together?—A. Well, that would be a matter for consideration. I certainly feel that it should be considered very carefully because if he were doing his present job he is a pretty busy man and he is going to be busier after the war. I know our representative in M.D. 2 at Toronto has just about enough to keep him pretty busy right now and after the war he is going to have more. However, that is a matter of administration; the whole thing is to get the right man regardless of where he is.

Section (e):

Since the Board of Trustees will be responsible for the investment and custodianship of funds, it may be convenient for them to arrange for

disbursements to take place through the usual machinery, i.e., the Treasury officer of the Department of Pensions and National Health with proper records being maintained in the Veterans' Welfare Division.

Well, we have dealt with that. I quite disagree with the idea of the money being disbursed just from one central place for the whole of Canada. I think it is absolutely impossible.

Q. If that was carried out strictly it would mean that you could not get a \$10 grant for a man in Victoria without the cheque coming from Ottawa.—A. That is right. I think it is impossible, quite; because, as I have said before, most of these applicants need the money right away. We have them coming into our office in Toronto and we get the cheque out to them either that afternoon or early the next morning. In not a few cases a man will come in to us and make an application, saying that he needs the money urgently, and he will wait right there until we get the signature of the chairman on the cheque; or, he will call back in the afternoon for it.

Q. And it might take a couple of months under this plan?—A. I am afraid it would take at least three or four weeks.

Now, on page 47, I have a note here regarding the paragraph immediately following clause (f):

The primary purpose of the fund should be to encourage the civil re-establishment of ex-service men, and in view of past experience the board of trustees might consider disbursing a greater proportion of the funds in the immediate post-war years. Perhaps some form of terminable annuity could be used to amortize the amounts to be distributed so that the maximum amount could be made available in a limited period, exhausting the fund at a definite date. Since conditions in Canada have materially changed since the last war, owing to the acceptance of responsibility of public bodies for those in distress or unemployed, there is less need for conservation of large funds for indeterminate emergencies after a decade in respect of a specific group of the population.

It is suggested that the aim should be to consolidate all funds available for the welfare of ex-service men under one dominion administration, as indicated.

It has been noted that in the past there has been some little difficulty in securing the full income of specific personal bequests made with a view to assist ex-service men. Sometimes wills are drawn in such a way as to involve those responsible for administration of such funds in costs of litigation which reduce the amount of the bequests concerned. It is suggested that some form of simple bequest formula could be devised which would enable testators to bequeath funds to the board of trustees to be used for the purposes designated, as set out by their legislative authority.

I feel that this would be a mistake. Our experience has been that the "acceptance of responsibility by public bodies for those in distress or unemployed" does not reach the men served by the Canteen Fund. This fund should be for the men who created it—to see that they get from their own money some assistance in addition to that provided through regular official channels. I think I appreciate the feeling that was in the minds of the committee when they made this recommendation for a broader use of the fund and a more specific use of it for rehabilitation and all that; but from my own experience in dealing with these men ever since 1923 I am afraid that after you have spent the money on these rehabilitation schemes and re-education and so on, that the following ten years or so you are going to have a lot of these chaps coming to get assistance, saying for instance, my wife has just died and I need some money as I only earn \$18 a week; and there will be lots of calls of that type and there will be no money left to meet them.

Q. And you think that civil re-establishment is a responsibility of the government?—A. Absolutely, they assumed it after the last war, why should there be any change? They assumed that responsibility after the last war, they took it away from the government of Ontario. It was working in Ontario, and they said we will make it universal, and they did that, why should they change it now? They did splendid work through the Department of Soldiers' Civil Re-establishment all over Canada, a tremendous work; and if you are going to say that it is the responsibility of the provinces to do it, or that it is the responsibility of special funds of this kind. I think you are making a very, very marked retrograde step.

Q. You would also object to the obvious intention throughout the report that the money should be spent quickly?—A. I certainly do. We have been discussing that matter with various parties for a long time. I know a lot of people are worried about a big amount being left over after we are all gone; well, my answer to them is, no, there is not going to be a lot of it left when we are all gone. Our aim in Ontario, where we have the largest fund, where we still have the largest surplus, has been to conserve as much of it as we possibly could during a period of from fifteen or twenty years; because we felt, and we still feel, that we are going to get our heaviest demands on this fund at that time. If it had not been for this war we would have been disbursing \$75,000 to \$80,000 a year, and our fund would have been all gone by 1950 or 1951.

By the Chairman:

Q. How much are you disbursing at the present time?—A. Only about \$27,000 a year; and that is because these men are all on Veterans' Guard or other jobs, they have a job which they can do with the result that most of them are looking after their own cases of illness. But as soon as this war is over these men are going to be out of work again, and all these men on Veterans' Guard will no longer be able to go out and get jobs so that they will then have occasion to call on this fund for relief.

MR. MARSHALL: I think you are wrong in that conclusion.

THE WITNESS: I hope I am wrong, but I am afraid to some extent I am right.

MR. MARSHALL: You can improve conditions.

THE WITNESS: I hope they are going to be improved.

MR. MARSHALL: Oh, I think they will.

THE WITNESS: I hope so too; but even so, you are going to have the need for this fund for distressed cases, you cannot immediately, in the next five or ten years, alter a system so that everybody is going to be happily employed; when there is sickness or illness in the family they have to be looked after. That would be asking too much.

Then, on page 47—I think this is the one that Mr. Green asked me to deal with:—

The objects to which the fund might be devoted, after examination of the many and varied objects suggested in connection with the use of canteen funds of the last war, should be clearly though generally stated, as follows:

1. For the assistance of distress of ex-service men or of their families by loan or grant where adequate assistance is not available from government or other sources.

You will see that this is exactly what we are doing with the fund from the last war, what the committee recommends is what we are doing now.

By Mr. Green:

Q. You said yesterday, you made a proviso in your approval of that recommendation; you said, "not because of unemployment"?—A. Quite so, and I think I have here a note on the same thing: "I agree, with the stipulation that assistance should not extend to unemployment cases".

Q. You approve of loans as distinguished from grants?—A. Of course, if you can make a loan which will obtain the same object as a grant and you can get your money back, that is all to the good; and we have had returned some of the money that we have paid out for these men. Some of them are very grateful, when they get on pension or something like that they come in and pay us back; but the largest part of this money goes as grants and you never get it paid back. I mean, they are just up against it practically all the time and they get a grant of say \$10, \$15 and \$20; it is just a Godsend to them at the time and they never can pay it back and we don't expect them to. Largely our system is grants. We had one very satisfactory case where there was a young man whom we saw through a law course; we are very proud of the young chap, and he paid back every cent of the money after he got into practice.

Then, on page 48, paragraph 2 it says:

2. To assist in the reconditioning of ex-service men with a view to fitting them for civil employment if such a service is not available from any other source.

I think that is a federal responsibility and should be available from that source. I discussed that before.

Q. You do not think that is the responsibility of the canteen fund?—A. Not at all, that is a government responsibility.

Then, 3:

For assistance by grant or loan in equipping or re-equipping ex-service men as tradesmen or small business men who by this means would be enabled to secure a livelihood.

Well, that might be possible if the fund is sufficiently large to justify it on an actuarial basis; but otherwise, not. Now, if I may use this as an example: When the Soldiers' Air Commission of Ontario was established by the Ontario Government in 1915—I joined it in 1923 after I came from overseas—the Provincial Government of Ontario appropriated a very large sum of money for the use of that commission. As I recollect they made grants to about 14,000 men amounting to \$227,000 over the course of four or five years to the men as they came back out of service; and in re-establishment loans they made 24,000 grants which amounted to over \$700,000. Of course, the grants were not paid back at all; quite a proportion of the loans were not paid back either. It is pretty difficult to secure repayment from a man in a small business. He is lucky if he makes a living working at it all the time without having to pay back \$150 which it cost to establish him. And besides, it depends on the size of your fund. If your fund were so big that you could take all these risks and be actuarially sound, you might undertake it.

Then, you have to take into account the size of your grant or loan; whether you are going to lend one man say \$200 when through a distribution of that same amount you could perhaps give a benefit by way of grant to the extent of \$10 to twenty men. You have got to think of all these things when you are administering a fund of this kind.

Q. You do not approve of that?—A. No, I do not; unless your fund is very large I do not think you should consider it.

Then, paragraph 4:

For assisting ex-service men with limited grants or loans to engage in part time or whole time modest enterprise.

Q. That is the same thing?—A. Yes.

Then, paragraph 5:

To meet any emergency with which the Board of Trustees may deem it advisable to deal.

Well, subject to reasonable restrictions, I think that is all right, but I would not allow too wide latitude in that.

Q. Do you not think that that is a subject which should be covered by legislation?—A. I think your legislative powers under your Act should be sufficiently broad to cover almost every activity the fund would engage in allowing a reasonable latitude; but I do not believe in giving a board of trustees unlimited latitude to go outside and indulge in any kind of assistance that they feel like giving; because you will find some boards that will go beyond reason in these things. I think there should be reasonable restrictions on the manner in which the board is to administer these funds, and very very effective supervision.

Then, there is one remark in connection with the final paragraph under paragraph 5 which says:

It is the view of the committee that if the canteen funds and such other funds as may be derived from the proceeds of other organizations serving the armed forces are consolidated into a single Dominion fund under a statutory Dominion authority in some such manner as indicated above, it might be possible to encourage voluntary gifts, bequests and grants from other sources which could be received by trustees of the fund and administered by them.

Well, I feel that there again voluntary contributions are much more apt to go to provincial or small organizations than they are to a central Dominion organization. I think the chances of such contributions are pretty small.

Q. Have there been many since the last war?—A. We have not had any, and I do not know of any board that has had any. The only fund that I know of which was created through voluntary contribution was the disablement fund which is administered from Ottawa here, and very well administered too. It was originally created through a fund which was started for the purpose of buying machine guns by some gentlemen who thought the army didn't have any, and when they found that the government were supplying machine guns they turned the largest part of that over to the disablement fund. That is not used for relief purposes. It is used for other purposes, just the very purposes that some of these recommendations indicate. For instance, if a man comes along to us and he wants help to set himself up in a little business, a shoe business or something like that, we refer him to the disablement fund and they probably grant him \$75 or \$100 to get started. They have done awfully good work in that way. But I do not think they have ever had a contribution since the original; and I know that the Soldiers' Air Commission of Ontario received, during the years when people were very much interested in the war, bequests under various wills that established some fund. I know they have received nothing since. Subscriptions are more likely to go to soldiers' organizations in the immediate municipality in which they are working.

Q. Of course, there would not be any harm in having that provision?—A. No, but I rather doubt if it would be needed.

That is all the notes I have in mind, I think.

By the Chairman:

Q. I understand that your disbursements at the present time are around \$27,000 a year?—A. Yes, they fluctuate.

Q. Can you give us a breakdown of the disbursements being made, and the order of their importance. Did I understand you to say that the first and most important is that for education?—A. It is not the largest.

Q. What is the largest?—A. We divide them into three; number one is assistance for education; number two is assistance for ex-service men, cases of illness; and three is assistance to dependents, wives and so on of ex-service men in cases of illness. Number two is the largest, assistance to ex-service men in cases of illness, that is the largest. Number three is the next, that is, assistance to dependents and wives of ex-service men in case of need, we try to be generous to victims and orphans. However, we all feel that number one is the most important and the most satisfactory although it is not the largest in point of expenditure.

The CHAIRMAN: Major Lewis, I think I am expressing the view of the committee when I say that we thank you very much for your very able presentation, and for having given us a picture of the manner in which funds of this kind have been administered since the last war. The information you have given us is of great value to this committee.

Mr. GREEN: Major Lewis said yesterday that he would submit a written report in support of his recommendations.

The WITNESS: I will be glad to do that should the committee wish. I do not know that it will be of any great benefit to you as I have dealt with these very same things quite thoroughly. I will be glad to do that, but I think it has been very thoroughly covered in the discussion.

The committee adjourned at 12:50 o'clock p.m., to meet again Tuesday, June 16th, 1942, at 11 o'clock a.m.

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SESSION 1942

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HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

CANTEEN FUNDS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

TUESDAY, JUNE 16, 1942
WEDNESDAY, JUNE 17, 1942

WITNESSES:

R.72235, Corporal Archibald McCaig, R.C.A.F.
D.106070, Corporal B. Lefebvre, R. 22nd R. CA/A.
Chief Petty Officer Roland Donovan Blofield, R.C.N.
Mr. A. J. Dixon, Chairman of the Subcommittee on the Administration of
Special Funds, Department of Pensions and National Health.
Flight-Lieutenant J. M. Wynn, R.C.A.F.
Paymaster-Captain J. O. Cossette, R.C.N.

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1942



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

TUESDAY, June 16th, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 11.30 o'clock a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Cruickshank, Emmerson, Gillis, Green, Isnor, Jackman, Macdonald (*Brantford City*), MacKenzie (*Neepawa*), Mackenzie (*Vancouver Centre*), McCuaig, Marshall, Mutch, Ross (*Middlesex East*), Ross (*Souris*), Sanderson, Whitman, Wright.

In attendance: Lt.-Col. de Lalanne, M.C., President of the Regimental Fund Board with Major Georges Garneau; Paymaster-Captain J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet; Flight-Lieutenant J. M. Wynn and Flight-Lieutenant P. N. Primrose of the R.C.A.F.; Mr. Robert England, Mr. A. J. Dixon, Mr. Walter S. Wood and Mr. B. W. Russell, K.C., of the Department of Pensions and National Health; Chief Petty Officer Roland Donovan Blofield, R.C.N., D-106070 Corporal B. Lefebvre, Royal 22nd R.C.A/A; R72235 Corporal Archibald McCaig, R.C.A.F.

The Chairman opened the proceedings by announcing that representatives of the "other ranks" in the three branches of His Majesty's forces of Canada were present and he introduced each such representative in turn to the committee.

Mr. Cruickshank spoke to a question of privilege in connection with the administration of Canteen Funds by the Trustees of the Province of Alberta.

The Chairman then voiced an expression of sympathy from the Committee to Mr. Cruickshank on his recent bereavement due to the death of his father.

Corporal Archibald McCaig, of the Royal Canadian Air Force was called. The witness presented the views of the rank and file in the Air Force on the subject-matter of administration and disposition of Canteen Funds. He filed with the Committee a specimen of the Financial Statement published monthly at each station. The witness undertook to supply the Committee with enough copies of such statement for distribution one to each member of the Committee.

At 1.10 o'clock p.m., the Committee adjourned to meet again to-morrow, Wednesday, June 17th, at 11.00 o'clock a.m.

HOUSE OF COMMONS, ROOM 277,

WEDNESDAY, June 17th, 1942.

The Committee met again at 11.00 o'clock this day. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided at the opening but asked to be excused owing to another engagement and he left the Chair to the Vice-Chairman, Mr. J. A. Blanchette, who presided during the remainder of the meeting.

Members present: Messrs. Blanchette, Castleden, Cruickshank, Emmerson, Ferron, Gillis, Gray, Isnor, Jackman, Macdonald (*Halifax*), Macdonald (*Brantford City*), McCuaig, McLean (*Simcoe East*), Marshall, Mutch, Ross (*Middlesex East*), Sanderson, Whitman.

In attendance: Chief Petty Officer Roland Donovan Blofield, R.C.N.; D106070 Corporal B. Lefebvre, Royal 22nd R. CA/A; R72235 Corporal Archibald McCaig, R.C.A.F. and the officers of His Majesty's forces of Canada and officials of the government departments mentioned as attending yesterday's meeting with the addition of Mr. A. M. Wright of the Department of Pensions and National Health.

Corporal B. Lefebvre was called. The witness outlined the operations of Canteens within the Army (specifically at Valcartier, P.Q.) and the disposition of profits derived from such operations. He was examined thereon, and the Vice-Chairman having expressed the thanks of the Committee to the witness he was permitted to retire.

Chief Petty Officer Roland Donovan Blofield, R.C.N. was afterwards called. The witness made his presentation on behalf of the "lower deck" and/or the ratings of the Royal Canadian Navy. He was examined at length thereon. At the conclusion of his deposition the witness was thanked by the Vice-Chairman on behalf of the Committee for the clear case put for the consideration of the Committee, and he was permitted to retire.

Corporal Archibald McCaig of the Royal Canadian Air Force was recalled. The witness supplemented his evidence of the previous meeting.

On behalf of the Committee, the Vice-Chairman thanked the three representatives of His Majesty's Forces of Canada for their contribution to the labours of the Committee and it was agreed that the witnesses be discharged (as witnesses) at such time as the Clerk had ascertained that the record of their evidence was complete.

Mr. A. J. Dixon was recalled. He resumed from Tuesday, June 9th, his deposition. Questions were asked of the witness and finally he was discharged.

Flight-Lieutenant J. M. Wynn, R.C.A.F., was recalled. The witness gave some corrections with respect to the submission of the Royal Canadian Air Force. And the witness was discharged.

Paymaster-Captain J. O. Cossette, R.C.N., was recalled. The witness supplemented his former deposition. Questions were asked of him and he was finally discharged (as witness).

The Vice-Chairman announced that Mr. J. C. G. Herwig, Acting Secretary of the Canadian Legion, B.E.S.L., and Mr. H. G. Norman, of the Department of National Defence for Air would appear before the Committee at the next meeting.

At 1.00 o'clock p.m., the Committee adjourned to meet again to-morrow, Thursday, June 18th, at 10.00 o'clock a.m.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

JUNE 16, 1942.

The Select Committee on Canteen Funds met this day at 11.30 a.m. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: Gentlemen, members of the committee will recall that it was requested—I think the suggestion came originally from Mr. Cruickshank—that we have representatives from the other ranks to give their views on the operation of the canteens and the disposal of the funds. We have with us to-day three representatives, one from each branch of the service: Chief Petty Officer Roland Donovan Blofield, representing the ratings of the Royal Canadian Navy; Corporal B. Lefebvre, representing the other ranks of the Canadian Active Army; Corporal A. McCaig, representing the aircraftmen of the Royal Canadian Air Force. The committee is very glad to have these gentlemen with us to-day, and I know you will feel perfectly at home. Our custom is to ask anyone who desires to express his views to come before the committee and express those views, and then it is also customary for members of the committee to ask questions. I hope you will feel perfectly at home, because I am sure the members of the committee all welcome you here.

Mr. CRUICKSHANK: Mr. Chairman, before calling these witnesses, I should like to ask your indulgence for a moment. Unfortunately, I have been away in British Columbia and have not been able to attend the last couple of meetings. For the sake of the record I should like to refer to the minutes of evidence, No. 6, June 9, and make a correction with regard to one item on page 141. I think I am entitled to this, Mr. Chairman, as a matter of privilege. The questions I asked were most important, and some members of the committee stressed them considerably. I do not know whether I am getting the thanks of the committee for having insisted on an answer, but I am perfectly satisfied that I shall have the thanks of the Canadian Legion and other organized bodies for having insisted that this matter be brought to light, in the interests of the Canteen Fund and of returned men in general.

The correction I desire to make is with regard to page 141 of the evidence of this committee:—

Mr. Diefenbaker: Particularly when the conclusion at which he arrives is based upon his own imagination. As he says, he has no information to support it.

The Chairman: As I understand the matter, at the last meeting some question came up with respect to the administration of the fund in Alberta. I do not know whether it was definitely stated, but at least it was intimated that there was defalcation there and that improper investments were made.

Now, Mr. Chairman, I want that most distinctly cleared up because I happen to know that that particular matter of June 9 is being most carefully investigated by the largest returned soldier organization in Canada, and I have had their personal thanks for insisting that the matter be brought to light; but there was no place in my statement—I took time out to read it very carefully

throughout—where it was intimated that there was defalcation. I wish to repeat that. It was intimated that there was defalcation, but I defy anyone to show from the evidence that I intimated that there was defalcation. I did, and most emphatically repeat, state that improper investments were made, and as a matter of record I want that in the record; but it has been insinuated that I said defalcations were made. A wonderful array of defence has come from certain quarters which, apparently, they did not repeat after the evidence was given and after the letter particularly was read, but I never said there was any defalcation. I repeat there was improper and improvident investment.

Mr. Ross (*Souris*): Mr. Chairman, Mr. Diefenbaker is not able to be here this morning, but my impression is that he was referring to a statement made by Mr. Marshall. I do not think he referred to Mr. Cruickshank. I have not a copy of the proceedings before me, but my impression was that he was referring to a statement made by Mr. Marshall at that time. I think there is a misunderstanding.

Mr. CRUICKSHANK: I am glad there is a misunderstanding. I have read Mr. Marshall's statement and to a considerable extent I am in agreement with it, but this is a reference to Mr. Cruickshank's statement where it is intimated that I said certain things and I want it perfectly understood and emphatically clear that I did not intimate there was defalcation; I do repeat there was improper investment.

The CHAIRMAN: That clears that up. There is no intention on Mr. Cruickshank's part to say there was defalcation with respect to the administration of the fund in Alberta. I might take this opportunity of saying to Mr. Cruickshank that we are all deeply grieved to learn of the passing of his father, and on behalf of the committee we extend our deep sympathy.

Mr. CRUICKSHANK: Thank you, Mr. Chairman.

The CHAIRMAN: Now, if there is nothing further in the way I shall call on the representative of the Air Force, Corporal McCaig, to address the members of the committee.

Mr. JACKMAN: Is it the intention to have the N.C.O.s and men speak in the presence of the senior officers, or does it make any difference at all?

The CHAIRMAN: I would not think it would make any difference.

Mr. GILLIS: They do not require chaperons.

The CHAIRMAN: I am sure it will not make any difference; this is an open meeting.

Mr. JACKMAN: I hope the men will understand that we want the bitter truth, if there is any bitterness to it, and that they are perfectly free to speak their minds, their innermost thoughts.

Hon. Mr. MACKENZIE: Absolutely.

Mr. CRUICKSHANK: I agree with Mr. Jackman. I asked to have these gentlemen appear, and I think the outside of this place would be a lovely place for the senior officers to smoke. I speak as an ex-senior officer myself in the last war.

The CHAIRMAN: It is entirely up to the officers themselves. I do not like pressing them to retire. I feel that these men are free to give whatever evidence they are disposed to give and it will be taken down in evidence and distributed.

Mr. CRUICKSHANK: They may not say it. As a matter of courtesy to these witnesses, I am asking, through you, that the senior officers of the respective forces retire while these men are giving their evidence.

Mr. Ross (*Souris*): I cannot see the point raised by Mr. Cruickshank at all.

Mr. CRUICKSHANK: The point was raised by Mr. Jackman.

Mr. Ross (*Souris*): Mr. Jackman did not suggest that the officers should retire as Mr. Cruickshank has done, and I do not think they should retire either. This is an open meeting, and we are discussing this whole problem for a good cause. I think probably this war is a little different from the last one Mr. Cruickshank. I think we are discussing things on more common ground, and I am quite sure that the men themselves would not ask that the officers leave the room.

Mr. CRUICKSHANK: Of course, they would not, you were a colonel and no corporal would ask you if you would retire.

Mr. Ross (*Souris*): I was a lance corporal before I was a colonel.

Mr. CRUICKSHANK: So was I.

Mr. Ross (*Souris*): This is an open meeting, and I believe it is the majority opinion that all those interested in this matter should stay here. This evidence will be a matter of record anyway, and there is nothing to be gained by asking anyone to retire. I think these officers should all stay and listen.

The CHAIRMAN: Then, I will call the representative of the Air Force.

Corporal A. McCaig, Aircraftsman, Royal Canadian Air Force, called.

The WITNESS: Mr. Chairman and gentlemen, to clear up this little point I might say as a member of the Royal Canadian Air Force that as we have had and are enjoying at present 100 per cent co-operation of our officers, and anything we have had in the past in the way of a meeting with regard to canteen funds or messing or any other type of entertainment at the station has always had 100 per cent co-operation from our senior officers, and the commanding officer of our unit is ex-officio a member of our committee at the station, and he gives us 100 per cent co-operation; so that may help to clear up the little point of argument there has been as far as the Air Force is concerned.

The CHAIRMAN: Would you be kind enough to tell the committee how you were selected to come here to-day?

The WITNESS: Yes, we have a canteen committee which is selected by the men by vote and they in turn elected me to represent them and indirectly the men of the station. I am not a member of the canteen committee nor do I work in the canteen itself. I am a member of the personnel at Uplands air station, and I was elected yesterday to represent that station and the Air Force in general. I think the canteens throughout the various units of the Air Force are operated all on the same basis, and we have the same problems in the fact that there are so many service flying schools and so many initial training schools, and they all work on the same basis. I think I can give you a fair representation of the views of the men. I understand that you wish me to say something about the canteen fund and whether we are satisfied with the way it is being handled now. At the present time the canteen fund is operating at a profit. Our turnover, I understand, at Uplands—the sales amount to approximately \$8,000 a month. From that there is approximately \$1,400 profit. That represents between 15 and 20 per cent profit. It varies from month to month, particularly in the summer months, because of the increased sale of soft drinks. From that the larger proportion, about \$700 and sometimes \$800, goes to what we call extra messing; in other words supplementing the rations that are provided by the government through the Army Service Corps. For instance, we are supplying more milk, fresh fruits and vegetables and things like that which the regular army issue does not necessarily have. That is, where most of our money is going, and that is where the boys wish it to go. It has been voted by the committee, which in turn are the representatives themselves, and we are satisfied with them. Of course,

that leaves approximately another \$700. From that amount we are buying sports equipment, bringing out entertainment to the station, making contributions to our station paper and sundry affairs which are shown on the balance sheet. All these have to be voted by the canteen committee which, in turn, represents the station personnel. We have all sorts of sports equipment, including a boxing ring and a wrestling ring, and equipment of all types of sports that you could mention. We have an outdoor swimming pool which was constructed mainly from the profits from the canteen, and the money for that pool was voted by the committee. We have always held the view that we are not accumulating any large sums of money; that they are being spent immediately they are earned. Occasionally, of course, the profits get a little higher when we are saving up to make a large expenditure. For example, we have a plan to build four bowling alleys which will cost in the vicinity of \$5,000 and we are building tennis courts. These things are all provided from canteen funds and that money is all voted by the committee and through the co-operation of our officers who are operating the canteen so that it will show a good profit and at the same time not have excessive prices in the canteen for the merchandise.

I might say with regard to the general set-up of our canteen that we have what we call a supply depot. That is a warehouse which is the central point for buying all goods sold through the canteens and messes—that includes the officers' mess, the sergeants' mess and the men's canteen. Everything is bought through there and they are all charged there. They in turn sell them to the officers' mess and the sergeants' mess and get their cheque at the end of the month for the goods and that shows in the statement. We have separate bank accounts for the officers' and the sergeants' and the men's messes. They are kept separately so there will not be any confusion, and they are kept in current accounts. We have audit boards and everything is checked thoroughly.

I do not know what other information you would like, gentlemen, but as far as an expression of the men's views is concerned, the money is not being accumulated at our station and I think that is true of most stations—any stations I have been at. I have been very interested in canteen affairs and entertainment committees in general. We get a good variety of shows at the station and, as I say, we have purchased sports equipment and different things that are needed. The money is being spent. Of course, you probably realize in your minds that eventually there will be a saturation point, a point where we have all the sports equipment we need and that all we require would be, perhaps, a little operating profit for the maintenance of that equipment. But as soon as we get our bowling alleys completed and our tennis courts completed and perhaps an odd billiard table—and we have the swimming pool—those are the chief expenditures—it is the idea of the canteen committee and the expressed opinion of the boys that when that saturation point comes that the profits from the canteen should be reduced. In other words, there should not be so great a spread shown in the selling price and therefore the boys would get the benefit directly and immediately. I think the more work we can eliminate in this way, in the matter of administration, the better it will be, as long as we can keep a good control of the matter; and if we can eliminate that work at these stores we are saving that much more time. I think that is the opinion of the men, that when that saturation point comes the profits in the canteen should be reduced.

Of course, there is the point that when we do win this war—which I do feel is going to come along pretty soon now—there is going to be a residue of funds left. Now, as to the actual opinion of the men, and I have talked to quite a few of them at the station—I do not know if it is the entire opinion of the Air Force throughout Canada—but I think there would be set up either directly through the benevolent fund or a more or less pension fund to be paid in cash to

the men after the war is over. We can probably anticipate that, because there will probably be an anxious period of demobilization and these canteen messes will have to be kept open for probably some time, and that residue can be looked after during that period. But if there is any great amount of money left after the war is won I do think it should go directly into the benevolent fund which would probably be a better step really than to set up a pension fund for the members of the Air Force. That is just a very rough summary, gentlemen, of our station, and I think I am speaking on behalf of the men when I say we are satisfied with the way the money is being spent. I know it is being spent because there are monthly statements made and posted up in the canteen and mess hall and in the different barrack blocks. I have a monthly statement here which I might turn over to the chairman if he wishes to have it on the record. It is a mimeographed copy and it shows that the money is being spent. Sometimes we build up a little credit for the purchase of some specific item, but the men are satisfied that the money is being spent. I do think it is the wish of the men and their belief that the money be now spent and not built up until that saturation point comes, so it will not be built up into any large sum within the canteen itself, but that they will sell the merchandise at a lower price and the men will get the benefit of it.

The CHAIRMAN: Thank you. This mimeographed statement will be filed with the secretary of the committee and any members of the committee who wish to see it may do so. Before we call any of the other witnesses, would any members of the committee like to ask this witness questions?

By Mr. Jackman:

Q. The corporal stated that after they had got some of the necessary equipment for sports, etc., it might be possible to reduce the price of some of the things which the men buy in the canteen. May I ask this question: Is there any feeling among the men that inasmuch as there are profits arising from the canteen sales that the price of cigarettes and the other articles should be reduced. Do the boys feel that inasmuch as those goods could be sold slightly cheaper they should be sold cheaper, or are they quite content with the uniform price which I understand is in most cases the same as the retail price at civilian stores?—A. Yes, with regard to the prices you are correct in that statement, the price is very similar to that in retail stores. I do not think it is the opinion of the boys that the price should be reduced. They are quite satisfied with the prices shown in the canteen—with the list of prices which are shown right in the canteens; they know those prices and they can compare them with the downtown prices if they wish, and we are not interfering with any other retail store in the vicinity. As to the matter of prices being reduced, that is just a tentative way of not accumulating money. That is one way of overcoming that tendency. It may be their opinion later to keep the canteen prices at the same level and build up a credit to go directly into the benevolent fund. As matters stand now we are only putting 1 per cent of the gross sales into the benevolent fund. They are satisfied with the prices now; they are not being overcharged.

By Mr. Marshall:

Q. I would like to ask the corporal this question: You are aware, of course, that you are building up quite a considerable fund—this benevolent fund?—A. Yes.

Q. Have you given any thought as to what disposition should be made of that fund at the close of hostilities, because there is a recommendation before this committee that the money should be lumped with other benevolent funds for all the other branches of the services and administered as a central fund; have you given any thought to that question?—A. I, personally, have not, but my own

personal view would be that the moneys should be kept in three separate funds. I think, perhaps, at the end of hostilities there is going to be a period of distress for men while they are getting rehabilitated into civilian life and there may be many reasons why they should have to call on this benevolent fund. From my own viewpoint I should think that if I knew it was directly an Air Force fund I would feel freer to make use of that fund.

By Mr. Ross (Souris):

Q. Have you given much thought to that question? It is a rather important question?—A. No, I have not given much thought to that angle. With regard to the benevolent fund, I think it is going to play a very important part after hostilities cease, because I do feel it is going to take some time to get the men rehabilitated into civilian life, and that fund is going to play a mighty important part. As for it being kept in one consolidated fund, it is just my opinion at the moment that it should be kept separately.

Q. I realize your feeling now, but don't you think that in those days following the war you will be just part of the armed forces consisting of the Air Force, the Army and the Navy, and each one of those chaps will need the same assistance after the war, and these funds should be looked on as a central fund for the armed forces as a whole toward which each of you has paid?—A. Yes, that is quite possible, sir.

By Mr. Cruickshank:

Q. I should like to ask the witness a couple of questions. First of all I should like to compliment him upon the manner in which he has given his evidence. He has given his evidence in a fair way and in a way which could be an example to his senior officers. Having had the privilege of further and later contact with the head of the senior Canadian Veterans Organization, I am going to ask a few questions, and I want the corporal to understand that I am in no way reflecting upon his evidence—I have congratulated him upon his ability in giving his evidence—but before I ask my question I want to make myself clear, because I know I am speaking for certain veterans' organizations: We are not as yet satisfied, the principle has not been adopted, and it has been proven by the witness in his answer to the last question. My request was for men from the ranks to be called. Now, I am not reflecting on the witness' fairness and ability; but what I asked for were men from the ranks. I was asking for a man who was a private in the army or the air force and who was in no way connected with the canteen, an ordinary soldier who was buying from the canteen, but that is not the case with regard to this witness. Now, how long have you been connected with the canteen fund?—A. I am not a member of the canteen fund nor do I work in the canteen.

Mr. Ross (*Souris*): He was appointed by the men in the ranks.

By Mr. Cruickshank:

Q. Are you the appointee of the men in the ranks? As I understood you, you were appointed by the men?—A. The men of the ranks, the station personnel appoint, by election, the members of the canteen committee, and they in turn appointed me.

Q. And the men of the ranks appointed you; you were appointed to the committee by the men of the ranks?—A. No, I am not a member of the committee; the committee was chosen by the station personnel.

Q. Who appointed you to come here?—A. The committee.

Q. The canteen committee?—A. The canteen committee.

Q. And the men on the canteen committee are appointed by the men in ranks?—A. Yes.

Q. And the committee in turn appointed you to represent them?—A. Yes.

Q. That is the point I want to get right; that is very important. I am in no way reflecting on the corporal; but the canteen committee appointed him. Now, that is what I wanted to know. I want to register my objection. I did not want a representative of other ranks brought here who was appointed by any canteen committee, even if that canteen committee happens to be appointed by other ranks; I wanted a man appointed by the men, those who are doing the buying. The corporal has already admitted—several questions have been asked him—that he has not given very much thought to what is being done with this accumulated fund which Mr. Ross asked about—the benevolent fund—and he did not know—I can be corrected if I am wrong—he was not sure what the men in the ranks thought. That is the reason I want a man from the ranks here. I want to know what the men in the ranks think should be done with the benevolent fund.

The CHAIRMAN: If I might interrupt, I do not think the witness can answer those questions. If any member of the committee is not satisfied with the witnesses who have been brought we can decide that when these witnesses are not here and we can decide whether we desire to bring other witnesses; but I think it would meet with the wishes of the committee if we were to question these witnesses at this time on their evidence.

Mr. CRUICKSHANK: I am leading up to that, but I wanted to register my objection; because although I have not authority to speak officially I happen to know that I am reflecting the opinion of the largest returned soldier organization in Canada, and this is one of the points they are vitally interested in. Now, I quite agree with the point which was brought up by Mr. Ross; I think there should be a lump sum; I do not believe in building up a fund; but I have a lot of questions and I am interested in this matter. I know I have been blocked by certain members, but I am interested—

The CHAIRMAN: No.

Mr. CRUICKSHANK: I will withdraw that remark then.

By Mr. Cruickshank:

Q. How do you suggest this benevolent fund, this accumulated fund, should be handled?—A. I would say that benevolent funds should be held in reserve for members of the armed forces when they are trying to rehabilitate themselves into civilian life; but that fund should be made available for them when they are in distress.

Q. That is a fair answer. Now, with regard to your other statement having to do with moneys going into the pension fund after the war; what does that mean?—A. Upon demobilization and rehabilitation into civilian life, it is going to take some little time to get back, not only to the standard which existed before enlistment, but even to get on their feet. These men are going to be some years older, and they will have that much more responsibility; therefore, it will be a very nice thing, I imagine, to have some sort of a pension coming in. It will be very small for every man in the armed forces, but it is coming in to you after you have rehabilitated yourself into civilian life.

Q. I would like to check you on that because I think it is very important. I appreciate your frankness in your answer, but I disagree with you. The government gives you people a pension. Are you clear about that word "pension," or are you referring to some emergency, such as sickness?—A. Perhaps I am using the wrong word when I say "pension"; I am not speaking of a disability of any kind.

Q. Something like the poppy fund in the last war? I do not believe that this money should be used for a pension. There would be the case of a man who

would not get a pension and who met with unfortunate circumstances, his wife died or something like that, and they would pay for the funeral; is that what you mean?—A. No, that I think is the function of the benevolent fund.

Q. I am not clear what you mean by the benevolent fund?—A. Just a small payment, like rehabilitation.

Q. A sort of bonus?—A. A sort of bonus in order to get the men started back into civilian life.

Q. Has that matter been discussed by the men?—A. I have heard several of the men speak along that angle. I wish to make it clear that this is not the definitely expressed wish of the Air Force in general, it is my view of what I think the men would like from what I have heard. I have been in about half a dozen different stations.

Q. Is it your opinion, and, if possible, is it the opinion of your associates—the men in the service—that we should, as far as possible, not build up a big fund?—A. As far as the benevolent fund is concerned, I would suggest that the larger it is the better.

By Mr. Isnor:

Q. I should like to inquire with regard to one or two statements. I should also like to express my appreciation for the very frank manner in which the witness has given his statement. You said you had a profit of something like \$1,400?—A. Yes.

Q. And of that \$1,400 you expended an amount of \$800 towards rations?—A. Approximately \$800.

Q. That sum is voted by the committee. Have the men as a group—not the committee—any say with regard to the voting of that \$800?—A. No, sir, the way it has been working in our station is this, that we find it necessary through the expressed wishes of the men through their committee that certain extra things should be bought for messing, and we have found out through past experience that it costs something around \$700, sometimes more at some stations—the men sometimes contribute in cash to that.

Q. Do they not do that at the present time at Uplands?—A. Yes, they do that at Uplands.

Q. One dollar a man?—A. Only 50 cents per month per man. It was \$1 at one time. We have improved our recreational hall facilities greatly and by doing that the canteen is used more and the profits are greater, therefore, that amount has been reduced from \$1 to 50 cents. That, as a matter of fact, was to help with the swimming pool. I was not at the station at Uplands at that time. Another thing is that there is a new government diet as of June 1 which supplies more milk for the men and fresh fruits and vegetables and some of the things which we are now buying as extra messing.

Q. Those were things which you were formerly buying yourself?—A. Yes. Now, we have seen the effect coming in,—it was brought into effect as of June 1—and that extra messing fee will doubtless be dropped entirely.

Q. Now, the \$800 is supplemented by an assessment of 50 cents per man?—A. Yes.

Q. What does that 50 cents per man amount to per month roughly?—A. Oh, I would say in the neighbourhood of \$400 or \$500.

Q. Then it is safe for us to say that you are spending for additional rations which are not supplied by the government an amount of \$1,200 or \$1,300 per month?—A. Yes, probably between \$1,000 and \$1,200.

Q. Now, I am coming to my main question: Because of that increased expenditure and the assessment, has there been a certain amount of dissatisfaction in respect to rations being supplied at your station?—A. Well, of course, the men always talk about their food—their likes and their dislikes, as far as that is concerned—I think you will find that on every station—whether they go down town and buy their meal or whether they get it rationed.

Q. Were you stationed at Toronto at one time?—A. Yes, at Manning pool.

Q. Was there more dissatisfaction at Uplands than you found at Toronto?—

A. No, sir, there was a great deal less. When I was stationed at Toronto the catering was under private caterers.

Q. You do not know the conditions at the present time?—A. At the present time down there I understand they have the Air Force messing facilities which are greatly improved and very good.

Q. What I am getting at is this: I have heard severe criticism, not from one source but from several quarters, to the effect that it was unfair to the men to assess them \$1 per month as was formerly done and 50 cents per man now—there is this expenditure of \$1,200—and I would think it would be the duty of the canteen fund or some committee connected with that station to make a recommendation to the commanding officer and that he in turn should see that that recommendation was carried to the proper authorities with regard to better rations, if necessary. I am trying to look out for the benefit of the men so far as rations are concerned. I am keenly interested in the rations which are supplied. I never pick up a man around the district of Halifax but I inquire where he is from and secondly how they are feeding him and so on, and I have learned that there is in some stations a great deal more dissatisfaction than in others, and I have been able by questioning the men to bring about better conditions. I think there is a lack of supervision. Now, I might be doing an injustice to the commanding officer there, but I think there is a criticism that must exist, otherwise the condition would not be so prevalent in regard to rations, and I doubt very much if the canteen committee is justified in spending that amount of money from their funds unless it is done by the express desire of the men, rather than of the committee. I hope you will think that over when you go back.—A. I can only say that the committee, as I said before, are the representatives of the men, and those members of the committee are continually changing. This is not a group of men who are going in there and voting, members of the station personnel who have lost contact with their friends there, but they are changing, there are postings, they are transferred, and somebody else takes that man's place, according to the orders laid down by the Air publications. We also have at our service flying school, several courses, and a representative is from the courses on the canteen committee, and the courses are changing back and forward, so that we are continually getting an expression of opinion from the men themselves. I do think it is a good and efficient way of getting the opinions of the men. There are two meetings a month—I think now they are having one meeting a month—shortly after the statement has been made up, around the 15th of the month.

Q. Who has that meeting?—A. The canteen committee meeting.

Q. That is not the men. How long is it since the men have had a meeting to press their views; do they ever have a meeting?—A. No, not to my knowledge, but they have a right at any time to request that a man be made a member of the canteen committee, or to investigate the books or anything along that line, and I say the members of this committee are continually changing.

Q. You mentioned something about the larger number of men who are now making use of the canteen, would that be because of the rations supplied or the type of meal that is supplied; that being dissatisfied they go to the canteen for a glass of milk or something else?—A. No, I do not think so. In some cases it is. Some of the men do that quite frequently—some go and eat in the canteen rather than in the mess. That is not 100 per cent the fault of the rations provided, but there is a time element involved: in the mess hall you have to line up and it takes longer to get your food whereas in the canteen you can take a snack and go about your duties, or you may be going out. It is not because of the food. There is an odd case where they do go into the canteen rather than into the mess hall.

Q. I am told that is the reason for the larger proportion of the increased sales. However, I will allow that to rest there. Now, with regard to your monthly statement. I understood from Group Captain J. M. Murray who appeared before the committee that you have a central warehouse and from this central warehouse all goods are charged the retail price to the canteens. When those goods are charged to you are they charged through the central warehouse account, or from the individual firms from whom those goods are purchased?—A. I am afraid I cannot answer that. I do not work in the canteen. However, I do have the authority and the rules and regulations here—

The CHAIRMAN: The witness says he cannot give definite information.

By Mr. Isnor:

Q. In this table or statement there is a large list of accounts payable and those accounts are all shown under the heading of individual firms; that does not seem to be along the same lines as the evidence produced by Group Captain Murray.

By Mr. Ross (Middlesex East):

Q. I feel that you have made an interesting statement. How long have you held the rank of corporal?—A. Since March of this year.

Q. You mentioned in your statement that you spoke for a large number of men. How did you gauge that opinion before coming up here?—A. I am not clear, sir, what you are inquiring about. Not only since I have become a corporal but in the time before that I have been constantly mingling with the men both in the canteen and in the mess and I do think that what I have expressed here is the general feeling. Now, there are specific cases where some men think the meals are marvellous and there is the great majority who think they could be better and there are always a few who think they are terrible.

Q. A moment ago you stated that the men had not had a meeting. From mixing with them, what is your viewpoint as to the time intervening between now and the last meeting?—A. They have a meeting once every month, approximately the 15th of the month, or as soon as the statement has been prepared, and they look over the statement and they either pass it or they do not pass it.

Q. That is a committee meeting?—A. Yes, the canteen committee.

Q. I am speaking of the meeting of the men; you said they had not had a meeting for some time?—A. Since I have been at the station, as a matter of fact at any station, I have never known of a meeting of all the men to do with the canteen.

Q. You reflect the opinion of the men just by going among them and listening rather than if they met together and you had heard their presentations?—A. From personal contact.

Q. Your evidence is based upon meeting the men singly?—A. Yes.

By Mr. Wright:

Q. You say the men have never had regular meetings. How is the canteen committee appointed if the men do not have meetings?—A. We have at our station three squadrons and four courses regularly and those courses are broken up into flights and each flight has a flight senior, a man in charge of the men for discipline who sees that everything is going along all right, and these men decide on who they wish to have represent them on the canteen committee. In each course there may be four flights, and those four men get together and find out who is to represent their course and eventually you get a representative from each course. The same thing happens in the

squadrons and in the different sections of the squadrons in headquarters squadron there is the accounts section, the canteen section, the different orderly rooms, the hospital, the security guard and the police—they find out the men they want. Sometimes the announcement might be made that headquarters squadron might hold a meeting after the regular parade and the election might be brought before the men—the election for the canteen committee—and somebody might be nominated and there would be a show of hands, but as to a mass meeting being held in any station, I have never been present at one.

Q. How are your committee divided between the regular staff on a station and the men going through training?—A. It is fairly equal representation. The squadron personnel number about even in the squadrons and each course has approximately the same number. Actually, of course, we have added a representative now from the women's division.

Q. There has not been any division of opinion on the canteen committee as between the men who are going through and the men who are on the staff?—A. No. Our mess is divided into two sections, the air crew, the corporals and the women's division, eat on one side of the mess and the L.A.Cs. A.C.1 and A.C.2, eat on the other side of the mess, and we try to get equal representation on both sides of the mess, bearing in mind that there is no difference in the food or rations. It is only a matter of dividing the messes. In the air crew we get quite a few Americans. Just to take one small example, they prefer coffee three times a day while we have to vary it with tea and cocoa. But we try to give consideration to everybody. I am not a member of the canteen committee, although I am a member of the messing committee which is in no way connected with the canteen committee, and I know from experience in that messing committee that equal representation and equal consideration is given to each member, and the senior administration officer is the chairman of the messing committee and the chief flying instructor is the chairman of the canteen committee, and the meetings are quite open and quite frank.

Q. You stated that the reserves that are being built up at the present time are being used to buy sports equipment and you mentioned that you are building a bowling alley. Do you wait until you have the funds available to build the bowling alley?—A. Yes, that has been the principle in the past, and I think that is the principle in effect to-day. Just bear in mind that I am not a member of the canteen committee, but as to actually how they are working their purchases—I think, for instance, they are setting aside a reserve for depreciation, different percentages depending on what the type of article may be. I am not familiar entirely with the administrative end of the canteen committee, but I am familiar with the men's views and the fact that the money is being spent, because the statements are up in the men's hall and the canteen, and a great number of men look at those and are interested in them.

By Mr. Whitman:

Q. I desire to compliment you on the able and efficient manner in which you have spoken. I wish to speak about the benevolent fund. You said, I think, that 1 per cent was being paid into the benevolent fund?—A. One per cent of the gross sales.

Q. Is that benevolent fund set aside as a separate fund and is it kept as a fund all the way through; is it building up 1 per cent each month?—A. That is sent, I believe, to the central benevolent fund; it is not held in the station.

Q. You do not have any control of that fund; you pay 1 per cent?—A. No, we pay 1 per cent per month; that is our contribution.

Q. Do you think any of the men think that 1 per cent is enough, or that it should be done away with?—A. From the standpoint of the majority of the men

with whom I have spoken and have had personal contact with, I should say they feel the benevolent fund is going to be of great value after the war is over and the larger it is the better, and, therefore, from that standpoint I would say that if anything the contribution to the benevolent fund should be increased.

By Mr. Green:

Q. One very big problem before the committee is how the money should be spent after the war. I understand your opinion is that it should be used to help the men in the forces get rehabilitated?—A. Yes.

Q. Of course, there has been the opinion expressed that that is the sole responsibility of the government—to stand behind the men until they have become rehabilitated—and if that policy should be adopted, rather than using the benevolent fund, which, after all, is the men's own fund, then there would still be the benevolent fund available, and opinions have been expressed here as to how it should be spent under those conditions. One suggestion was that it should be used to help out in the case, say, of illness in connection with men of the forces or in connection with the families of men in the forces, the costs of which could not be met in any other way, and another suggestion was that it should be used for the education of the children of the men now in the forces who would otherwise not be able to complete their education. Those are two of the suggestions which have been made. There was also the suggestion that money should be loaned to the men, for example, if they wanted to start up in business—that advances could be made to them for purposes of that kind. What would your opinion be as to the best way in which the money could be used if it was decided that it was not to be spent for rehabilitation purposes?—A. I would say that it should be very closely controlled but that any member of the forces who is in need would have free access to that fund, but that the case should be examined—somewhat in the manner that the dependents allowance board works at the present time: all cases for dependents allowances are investigated by the board and the case is set up and comes before the board for its decision. Now, I think that cases which come up in regard to the benevolent fund should be treated in the same way. In effect, the custodians of that money are like an investor investing somebody else's money and they have to be very careful, because if they make a poor investment it is going to reflect adversely on them. That is why I would say it should be tightly controlled, but I do feel that every member of the armed forces should be free and equally disposed to participate in that fund.

Q. Would it be your idea that the dependents of the men in the Air Force should be eligible?—A. Yes, definitely.

Q. For spending some of that money?—A. Yes.

Q. A man's widow or his children?—A. Yes. Of course I do realize that there is a government liability there in pensions. That, of course, can develop into a very large and broad subject—the spending of the benevolent fund; but I think it is the consensus of opinion of the men that the fund should be made available and easy to get help from without too much embarrassment but, by the same token, I think it should be fairly well controlled by the custodians.

Q. What do you think about the proposal that some of it should be used for educating the children of the men in the force who otherwise would not be able to give their children proper education?—A. Of course, that depends upon the rehabilitation of the man himself. If he can get properly rehabilitated into civil life that will not be necessary, but if it is necessary in the decision of the board, I would say yes.

Q. Do you think that would meet with the approval of the men?—A. Yes.

Q. Another difficulty we have is with regard to whether there should be three separate funds or not. Let us say that the war is over and that these chaps are being demobilized and, say, we are dealing with the city of Vancouver,

are we going to have three funds, one for the Air Force and one for the Navy and one for the Army administered by three different sets of people and to which only the men who belong to that particular force can go, or is the money to be lumped into one fund in a city and are the expenditures in the city to be under the control of one group to which any man could go regardless of whether he had been with the Navy, the Army or the Air Force? That would be the position in very city of Canada. You might have three sets of funds and three sets of people distributing the funds and three sets of men asking for help. What would your reaction be to that?—A. Being a representative of the R.C.A.F. I think I am qualified to answer that, because according to the strength of the personnel enlisted we are about in between—I believe there are more in the army and not as many in the navy—and I think it would be better to keep the funds separate. The army might feel that because they had more men they had contributed more and should get more out of the fund and their men might not need it as much; the navy might think: that is fine, we haven't got as many men but the fund is very large; the air force is in between the two and it would make very little difference one way or the other. However, I do think from an incentive standpoint to build up that fund and the spirit of competition to build up each of those funds, one for the army, one for the navy and one for the air force—I think it would be better to keep them separate.

By Mr. Mutch:

Q. Have you thought of the cost of administration?—A. I have thought of that. I know it would be very expensive to keep them separate.

By Mr. Green:

Q. I would suggest that you give some thought and have the other men of the Air Force give some thought to that question, because most of us in this committee were through the mill in the last war and we know that as soon as you are demobilized you are civilians—you are not air force men or army men or navy men any longer—and I think very difficult complications might arise if we tried to run three funds in all the towns in Canada. Pay some attention to what is going to happen after the war and do not watch only the question of raising the fund now, because the fund is raised automatically now, you are going to buy the goods whether 1 per cent or 50 per cent goes into the benevolent fund. The men will buy the goods anyway. I suggest that that point be taken care of. Actually the Air Force and the Navy we were told last week would benefit greatly if there was one fund because by far the larger part of it would come from the army, and I think most of the funds come from overseas and not from the canteens in the Dominion of Canada at all.

By Mr. Cruickshank:

Q. I realize that the witness is in an embarrassing position having to answer all these questions, but I would like to refer to one question brought up by Mr. Green: have you talked this matter over with the boys of the Air Force? Do you think that education and reestablishment should be a part of that charge? I think you answered that that could be covered by the benevolent fund?—A. Yes.

Q. I am of opinion that education and reestablishment are thorough charges against the state. Now, before you answer remember that this is going down in the record for your grandchildren to read as being the expressed opinion of yourself as representing the rank and file of the Air Force.

Mr. MUTCH: That is hardly fair.

Mr. CRUICKSHANK: This witness has been brought here at our request to represent the rank and file of the Air Force. I am not criticizing the witness.

Mr. Mutch: I think you were scaring him a little bit.

Mr. GREEN: There is no question of binding his grandchildren.

The CHAIRMAN: I think all Mr. Cruickshank meant to imply was that what the witness is saying is being taken down in shorthand and will be printed.

Mr. CRUICKSHANK: I want to be fair to him. There is not a member of this committee—possibly objection might be taken to that statement so I will speak for myself—after this war there is not a member of this committee, if he is criticized in his own constituency as to how this canteen fund is being handled, who is not going to say, “well, we got all the evidence we could, and here the representative of the Air Force says that they think education and rehabilitation are a proper charge, other than what is granted by the government for education and rehabilitation. Personally, I think education and rehabilitation are entirely a charge against the government.

Mr. GREEN: On a point of order, Mr. Cruickshank is asking a question based on my question. I would like to make it quite clear that I was not referring to the education of the men from the forces, I was referring to the education of the men's children in cases where they had not received, for example, training as stenographers or mechanics, or even a university degree unless there was somebody to give them a boost from the start.

The WITNESS: I might point out that my answer to that question was that providing rehabilitation was not sufficient or not granted by the government then that fund could be used, but only as a secondary consideration.

By Mr. Cruickshank:

Q. I would like to ask this question: If I understood the witness correctly, he said that investments should be made by whatever trust company is set up in safe and satisfactory securities?—A. No, I did not particularly mean that the money should be invested in any way in securities. What I meant to say—you are talking with regard to the benevolent fund?

Q. Yes, with regard to the benevolent fund?—A. Well, naturally the custodian of this fund—the men or the committee that has the say as to whether that fund is going to be used for certain things—have to be very careful with regard to the way they are spending that money and the cause they are going to donate it to. That is natural the same way as if you invested somebody else's money; you would have to be careful with it.

Q. That is the point. I will put my suggestion to you, and you can answer whether that agrees with the rank and file of the Air Force. I think that the profit motive should be left out entirely in the benevolent trust fund; I think the entire benevolent trust fund of the Air Force or the Navy or the Army should be invested in securities such as Dominion of Canada bonds. Now, we want recommendations. Our duty here is to make recommendations as to what this committee thinks should be done with the canteen funds after this war, and I think the duty of this committee is to suggest that it be mandatory that all benevolent funds must be invested in dominion government bonds and not to buy oil stocks or possibly some other higher paying bonds?—A. By the word “investment” I did not mean investment in securities, I meant what they do with that money—I meant that they should be careful. I did not mean to say they should buy government bonds and not stocks.

Q. Do you think the Air Force would be agreeable to us making recommendations—you are not familiar with the evidence that has been given in the past—but do you think the Air Force would agree to recommendations to

the effect that these trust moneys—it does not matter whether they are canteen funds or benevolent funds, they are trust moneys—should be invested in dominion bonds?—A. Certainly.

Q. I agree with you. There is another question. I think you stated to me before, and it does not meet with suggestions from other sources—I do not know whether there has been some misunderstanding—did I understand you to say that you are favourable to as large a fund as possible built up?—A. Yes.

Q. And you expressed that opinion, as I see it, as representing the rank and file?—A. For benevolent purposes.

Q. Apparently I misunderstood you at the beginning. I understood you to say you were an employee of the canteen fund?—A. No, sir.

Mr. WHITMAN: I have here this monthly report of the airmen's canteen at Uplands; will it be incorporated into the evidence?

The CHAIRMAN: The report will be filed with the secretary and any member of the committee can see it at any convenient time; it will not be printed as an appendix. It has not been the custom of the committee to print reports such as that as an appendix; they have been filed with the secretaries.

Mr. WHITMAN: That is a very interesting report.

Mr. ISNOR: Why could it not be printed? It is not lengthy, and I would like to analyse it.

The CHAIRMAN: This is a specimen of a monthly report.

The WITNESS: Yes, a mimeographed copy of a report as it was passed.

The CHAIRMAN: The corporal has told me that he could have 75 copies or sufficient numbers of copies of this statement made so that each member of the committee could have a copy.

The WITNESS: I shall ask the commanding officer if he would be in agreement.

Mr. ISNOR: What is the objection to putting it in the minutes? We all have our bound copies and having it incorporated in the minutes will save us carrying a lot of unnecessary statements around in our files.

The CHAIRMAN: The only point is that we have had a number of matters such as this and they have been filed with the secretary from time to time.

Mr. ISNOR: Quite so, but there has not been any request to have those particular documents printed. In this case we have a request.

The CHAIRMAN: I have no objection if it is the wish of the committee.

Mr. MUTCH: Do I understand that this is a statement of what is done in every place or only as it is done in this particular Air Force? It is of no particular value unless it represents universal practice.

The WITNESS: The canteens throughout the Air Force in general are standardized and their rules are set up and are all based on Canadian Air Publication 122. They are controlled by commands and the commands in turn are controlled by headquarters. This is where the canteen is operated by the R.C.A.F. There are canteens operated by civilians in elementary flying schools and air observer schools, and I believe that is true of the one in manning pool, Toronto.

Mr. McCUAIG: If we put that report in the evidence there is danger of having to do it in the case of every report and in that case the evidence will become cumbersome. Put it on file or have copies made available to members of the committee.

The CHAIRMAN: Gentlemen I will rule that copies be made and sent to each member of the committee.

By Mr. Gillis:

Q. Do I understand, corporal, that in addition to the benevolent fund you also have a pension fund?—A. No, sir.

Q. The pension fund is the benevolent fund?—A. The pension fund—I really should not have used that word because it is confusing. There is a pension fund in the Air Force for permanent force personnel in which they have deductions made from their pay per month, but that is the privilege of permanent force personnel. That was just an illustrative suggestion on my part as to what should be done with the fund—the residue of the fund left after hostilities have ceased.

Q. Your pension fund has not anything to do with the profits of the canteen?—A. No, no.

Q. Personally I am opposed to the accumulation of funds. As Mr. Cruickshank has pointed out you are supposed to be expressing the opinion of the rank and file of the station which you represent here to-day, but I would judge from your comments that the personnel of your station are thinking in terms of relief after the war is over. If that is true then the morale cannot be very high. One per cent of your gross sales is put into your benevolent fund. You are to build that up to take care of the boys after the war is over. I would judge from that that you are anticipating that a great majority of you are going back to the ranks of the unemployed from whence most of them came.

MR. CRUICKSHANK: I take exception to that expression “whence most of them came”. I think you should withdraw that. I think that is unfair.

MR. GILLIS: No, that is true. I am not making any comments on Mr. Cruickshank's statements. This is my opinion based on the opinion expressed by the corporal.

MR. GREEN: I do not think it should go in that way; that may or may not be the corporal's opinion.

THE CHAIRMAN: That is your impression.

MR. GILLIS: That is my impression.

MR. CRUICKSHANK: It is not necessarily the corporal's opinion.

THE CHAIRMAN: Other members of the committee may get another impression.

MR. GILLIS: Yes.

THE CHAIRMAN: Are you questioning the witness now?

MR. GILLIS: I am making a statement based on his observations with respect to the building up of the benevolent fund, and the purposes for which it is to be used after the war is over.

THE CHAIRMAN: That is a question that could be left to some other time when the witness is not here.

MR. GILLIS: I should like to have the corporal get the benefit of my remarks. I have listened to Mr. Cruickshank.

THE CHAIRMAN: I think, Mr. Gillis, if you have a question it is proper for you to put it to the witness.

MR. MUTCH: With all due deference to your decision, Mr. Chairman, I think a member of the committee has a perfect right to state the conclusion he draws from the evidence of the witness. The witness is here and he may probably turn around and say that he is right or wrong.

THE CHAIRMAN: Mr. Gillis can do that by way of a question. He can tell the witness that this is the impression he got and ask whether that is the impression the witness intended to convey.

MR. MUTCH: That is what he was trying to do.

The CHAIRMAN: I wanted to make that clear. I did not know whether Mr. Gillis was questioning the witness or not.

Mr. GILLIS: Nobody waited long enough to find out. I thought I tramped on somebody's toes. But what I wanted to convey to the corporal is this: as Mr. Cruickshank pointed out the rank and file of these stations appoint the canteen committee and the canteen committee selected the corporal for the duties he is performing, and I said I was opposed to the accumulation of funds because most of the boys are purchasing in these camps and stations to-day and a certain margin of profit must be maintained to build up this benevolent fund. The purpose of the fund is to take care of men who may be in indigenous circumstances after coming back from the war. I do not anticipate any member of the forces, army, navy, or air force, being in any indigenous circumstances after this war, because if that is true then we are not fighting for very much. But in building up these funds, I got the impression that the members of the force who are doing this are anticipating that when the war is over they are going to be needed for relief purposes. I do not care whether you call it a benevolent fund or a pension fund, in the final analysis it boils down to the question of relieving a man when he is in circumstances that are not economic. I think the proper attitude, as far as canteen funds are concerned, is to sell as cheaply as possible to the men who are in the force going through these camps. Hundreds of them will contribute towards the upkeep of this fund and perhaps will not be coming back. Their dependents may get something, but in the final analysis you are exploiting them by charging the prices you do. You are building up a big unwieldy machine and using the services of many men that could be employed elsewhere merely for the purpose of maintaining this machine to gather funds to be used in the aftermath of the war for purposes which should not be necessary. I think it is the duty of the government to provide all these things so that it is not necessary to take out of the meagre pay of the members of the forces sufficient profits to build up funds of this kind. I certainly do not agree with that. I am kind of sceptical about the trend of thought that there is in the forces that it is necessary to build funds of this kind to care for the men after they come back. It certainly has not the tendency of building up morale. I think the proper approach to these things is to assure the forces that there is no necessity for funds of this kind; that when they come back they will be taken care of and therefore to cheapen everything in the canteen as far as possible and give them the benefit of the money they are getting now as they go through. The reason I am making this observation now is that in meeting quite a lot of the rank and file of the Air Force and the Navy and the Army—there are a lot of them in the section I come from—the general concensus of opinion is that they are fighting for a new world when this war is over, a world where there will be no necessity for benevolent funds, a world where the government who is sending them away will guarantee when they come back security without the necessity for funds of this kind.

Mr. CRUICKSHANK: What is the question?

Mr. ISNÖR: I certainly would not like that to go unanswered by this witness. I do not think it would be fair to the witness. My ideas, gleaned from the evidence as given by the witness, have not led me to think along the same lines as those expressed by Mr. Gillis. I have come in contact time and time again with members of the R.C.A.F. in all parts of the country, and they do not strike me as those who hold the idea he has expressed. Now, I may be entirely mistaken in this thought, but I am going to ask the witness if the word picture as outlined to him as to the morale of the members of the R.C.A.F. is as he interprets it.

The WITNESS: I appreciate this point and this opportunity of answering Mr. Gillis. It was certainly not my intention to give that impression, if indeed I

gave it, that the morale of the Air Force is low or that the Air Force are thinking of relief after the war or about his remark about returning to the ranks of the unemployed from whence they came. I might say that the majority of men in the Air Force are men who left their trades and joined the armed forces and they are doing a real good job. I might also say as regards canteen funds that the Air Force in general is against the accumulation of funds. The point is, we are spending every month our profits from the canteen and we are spending them in ever so many ways: entertainment, sport equipment, extra messing—these are the very big expenditures. We are donating some to the hospital for sundry comforts, cigarettes for the boys in hospital, magazines and things like that, and there is also the contribution to the station paper. These funds are being spent, they are not being accumulated; the only thing that is being accumulated from the canteen fund is the 1 per cent of the gross sales which is being turned over to the benevolent fund. When I say that I am in agreement with building up this benevolent fund I am talking of a larger or better—

Mr. GILLIS: There should be no necessity for it.

The WITNESS: Well, that fund has been in operation for some time, I believe, and I think we all realize that when hostilities cease there is going to be probably a long period of readjustment.

Mr. GILLIS: Not if members of parliament do their work.

Mr. CRUICKSHANK: May I make a political speech and get it on the record?

The CHAIRMAN: Allow the witness to answer the question. He has been very fair with members of the committee and we should be fair with him.

The WITNESS: This is the opinion of myself and I think of the men of the Air Force, that it is going to be a fairly hard job to get rehabilitated in this world after the war is over, and during that time I think it is only the wise thing to do to build up a fund, whether it is needed or not, so that we can feel, if it is necessary, that we have the support of that fund.

By Mr. Marshall:

Q. In view of the fact that I opened up the discussion with respect to the benevolent fund, the question I desire to ask is this: Have you discussed prior to this meeting this morning to any great extent the disposition of this air force benevolent fund, which is now being built up with the men, after this present war is over?—A. No, not to any great extent.

Q. You are really expressing your own personal view?—A. I am expressing my own personal view, but I do think that my view will be the view of the men, but I have not discussed the matter in detail to any great extent.

Q. It dropped on you like a kind of bomb?—A. Exactly. I got notice I was to come down here. The benevolent fund is something that we know is there when we need it, but as to the final disposition of it we have not had any great amount of discussion about it.

Mr. MARSHALL: I suggest that when the other witnesses come before the committee they be prepared to make a statement with respect to the benefits of the benevolent fund.

Mr. GILLIS: I want to correct any impression that may exist that I intended to say that most of the Air Force came from the ranks of the unemployed, that was not my intention; I was speaking generally for the whole service.

The CHAIRMAN: That is your opinion. We can go into that at a later date. Now, these witnesses have come from out of town points and I think we should hear them tomorrow at 11 o'clock.

The committee adjourned at 1 o'clock p.m. to meet Wednesday, June 17.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

JUNE 17, 1942.

The Select Committee on Canteen Funds met this day at 11 o'clock a.m. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: Order, gentlemen. Yesterday, as members of the committee will recall, evidence was given by representatives of the other ranks of the air force. I might explain to the committee that by agreement with representatives from the navy, the army and the air force it was arranged that the witnesses would be called in the following order: first, the representative of the air force, then the representative from the army, and then the representative from the navy.

The first witness to-day, in accordance with that arrangement, will be the the representative from the army, Corporal B. Lefebvre. Corporal Lefebvre is connected with the 22nd Battalion and I would ask Mr. Blanchette, the Deputy Chairman, if he would act as Chairman in to-day's proceedings.

Mr. Blanchette, the Acting Chairman, takes the chair.

Mr. McCUAIG: Before we commence proceedings to-day may I say that when witnesses come here from a considerable distance I feel we should confine ourselves largely to examining these witnesses and hearing their reports. I say this because I am satisfied that when we read the minutes of yesterday's meeting we will find that probably half the minutes of the committee are taken up with speeches made by two or three members of this committee. We are not here to listen to speeches; we are here to examine the witnesses.

Mr. GILLIS: That is only your opinion.

The ACTING CHAIRMAN: I shall now call on Corporal Lefebvre.

Corporal B. LEFEBVRE, called:

The WITNESS: I am not much of a speaker and so you will have to excuse me if I make some mistakes. In our canteen we sell cigarettes, tobacco, shoe laces, shoe polish, and things of that sort. Then we have a show twice a month. This show costs us \$200 or \$300. Last year they gave us some baseball uniforms, basketballs, and they are talking about building a swimming pool this year. We have a skating rink. Last year we had a couple of skating rinks, the boys have no kick about that. They are all pleased with the way money is spent. That is about the only thing I can tell you. If somebody will ask me questions I will be pleased to answer them.

By the Acting Chairman:

Q. You say, Corporal, most of the men are satisfied with the manner in which the money is spent?—A. Yes, at least there is no kicking about the way the money is being spent.

Q. Did you ever hear any suggestion offered as to the possible ways and means whereby improvement may be made to spend the money that has not been spent?—A. I have no suggestion to offer, I know that the things being done for us cost a lot of money.

By Mr. Marshall:

Q. Did I understand you to say that you came from Valcartier?—A. Yes, sir.

Q. Will you explain to the committee just how it happened that you are here as representing the men of Valcartier?—A. Yes, sir. I was told yesterday morning by a committee of the canteen that I was coming to Ottawa to represent the soldiers from Valcartier. It was twenty to eight when I heard about it, and I had to go to Quebec to get transportation and then I took the train in the afternoon to come here.

Q. How long have you been stationed at Valcartier?—A. Twenty-four and a half months, sir.

By Mr. Claxton:

Q. Who decides how the canteen funds shall be expended?—A. There is a committee of the canteen from every rank and that committee changes every month.

Q. Then the men elect their representatives of the canteen committee?—A. Yes, sir.

Q. How many representatives have the men got from your regiment?—A. I think it is six or seven, sir, I am not quite sure, but I think it is six or seven.

Q. Were you one of the men who was chosen by the regiment on the canteen committee?—A. The canteen committee chose me to represent them.

Q. Are you one of the members of the committee?—A. No, sir.

By Mr. Marshall:

Q. You do not know how they chose you?—A. No, sir. I only got a note yesterday morning to report at headquarters. It was half-past seven when I got that note, and it was twenty to eight in the morning—

Q. Have you any idea, Corporal, of the amount of money that has been made as profit in the operation of the canteen in the Valcartier area?—A. I have no idea. They must be making lots of money because there are lots of men.

Q. Do you know how many canteens are operating in the Valcartier area?—A. You mean only the regimental canteens?

Q. Just regimental?—A. I think three, sir.

Q. Can you give us some information with respect to the operation of the wet canteen? Have you wet and dry canteens?—A. Yes, we have.

Q. Can you give us any information with respect to the operation of the wet canteen?—A. They are selling beer 5 cents a glass, sir.

Q. I am not so much interested in what they sell the stuff at as I am in the operation and how well the canteen is run. Can you give us that?—A. I think there are three men inside. I do not know what you want, sir.

Q. There is quite an agitation at the present time with respect to the operation of these wet canteens. What has been your experience in respect to the operation of the wet canteen?—A. Well, they open the canteen at six o'clock at night up till nine o'clock on week days and Saturdays they open from twelve to half-past one and open at four to six, open at four to nine o'clock.

Q. How are they supervised, I mean?—A. Who is running it?

Q. Well, for example, you say that some men patronize these wet canteens, and it may be that they get a little bit the worse for beer. How do you take care of those cases that might crop up in your wet canteen?—A. There are always some M.P.'s there.

By the Acting Chairman:

Q. The M.P.'s look after the supervision?—A. The sergeant-major is inside and I think the staff sergeant and the sergeant and two or three men. There is one in charge, Major Leclair, the president of the canteen, and the secretary. I could not tell you the name of the secretary. Three men in charge.

By Mr. McLean:

Q. Is the canteen very orderly on the whole?—A. Well, I think so.

By Mr. McCuaig:

Q. What camps have you been in in addition to Valcartier?—A. That is the only camp I have been in, sir. I was in another camp for a scheme, one day here and one day there. That is the only camp I have been in, Valcartier.

Mr. MARSHALL: I do not think there is any need for us to ask anything with respect to the disposition of the benevolent fund because I understand the army has not any.

The WITNESS: I do not think so.

By Mr. Marshall:

Q. They are not building up such a thing as a benevolent fund?—A. The first time I heard of a benevolent fund was when Captain Leclair mentioned it yesterday.

By Mr. Castleden:

Q. Have you any idea as to how much money had been spent last year on recreational facilities for the men in the camps, money from the canteen funds?—A. I have no idea at all, sir, because when they sent me here I was not prepared. They told me Monday morning, but I know they spent quite a lot of money and the men appreciated that. There is no complaint about that.

Q. You have no idea as to how much money has been taken in by the canteen?—A. No, sir.

By Mr. Marshall:

Q. Do you believe in building up huge reserves to be used after the war is over, or what are your views with respect to these profits?—A. I think the men appreciate it when they have their money right away every month. They appreciate that. They think it is better that way.

Q. They are not in favour of building up a huge fund for after the war?—A. I do not think so, sir.

By Mr. Ross (Middlesex East):

Q. When were you advised that you were to appear before the Canteen Committee?—A. I was advised only Monday morning, sir.

By Mr. McCuaig:

Q. Did you discuss it at all with the other men after you were advised to come here?—A. No, sir; but I know. I have been there long enough. I know when a fellow comes to our camp say from Borden and we ask him how it is at Borden, he will say Borden was not bad but we get better food here.

By Mr. Ross (Middlesex East):

Q. What were your instructions from the canteen committee other than just about your travelling?—A. They did not give me any instructions at all, sir. They told me, "You are going to Ottawa to represent the canteen."

Q. They just ordered you to report; you had no time to look for any information?—A. No, sir.

Q. Nor to get in touch with anyone or get an insight into the question other than those matters that you know of personally?—A. No, sir.

By Mr. Marshall:

Q. What department are you in; what work do you do at Valcartier?—A. On the drill.

Q. Drill?—A. Yes, sir.

The ACTING CHAIRMAN: Are there any further questions?

By Mr. Castleden:

Q. There is just one thing I should like to ask, and that is this: I would take it no accounting of canteen receipts or expenditures is made available to the rank and file of the men in the camp?—A. I did not get the question.

Q. You say you have no idea how much money was received in the canteen and how much money was paid out to the soldiers?—A. No, sir.

By Mr. Isnor:

Q. Is there not a statement posted every month in your canteen showing the sales?—A. No, sir.

Q. No statement made up?—A. There is a statement made up but it is not stamped in the canteen, but the members of the canteen committee know about it. They know what is going on and they tell the men.

Q. There is no accounting of sales and expenses every month?—A. These men know what is going on.

Q. That statement is shown to the committee?—A. The committee, yes, sir.

Q. It is not posted, so far as you know?—A. Not posted outside the canteen.

By Mr. McCuaig:

Q. Could the men get it if they wanted it?—A. I suppose if I asked for it they would give it to me, but I never ask.

The ACTING CHAIRMAN: Are there any further questions to put to Corporal Lefebvre? Have you any further remarks to make, Corporal?

The WITNESS: I do not think so, sir, but if any questions are put to me I will do my best to answer them.

The ACTING CHAIRMAN: Thank you very much Corporal.

I believe the next witness that we are to hear from is Chief Petty Officer Roland Donovan Blofield, representative of the ratings of the Royal Canadian Navy. Chief Petty Officer Blofield has been designated by the ratings themselves. I now call on Chief Petty Officer Blofield to address the meeting.

Chief Petty Officer ROLAND DONOVAN BLOFIELD, called.

The WITNESS: Mr. Chairman and gentlemen, it is not one of my qualifications in the service to be a public speaker and I shall therefore request your indulgence. I should like to emphasize at this stage that I have no academic qualifications. I am a man of the sea of some very considerable experience, gentlemen. For your very special benefit I endeavoured to obtain ribbons and medals to which I am entitled, but unfortunately I was unable to round up all the ribbons; but you will observe that my vintage is of another decade. I know the men, gentlemen. I came through your ship, through the little hole in the front part of the ship which take the chain that carries the anchor. I have lived with your men; I have shared in their joys; I know their pleasures; I know their discomforts; I know the intolerable conditions under which at times they have to live. I have thirty years' experience at the back of me. If I had my time to live over again I think perhaps I would lead exactly the same kind of life. I have terrific admiration for the men that I am here to represent and I want to re-emphasize that. There were one

or two remarks made yesterday, Mr. Chairman, that cut me as an "Old Salt" very very deeply, and with all due respect to my senior officer who at the present time is here, I would like to point out that I welcome his presence on behalf of the lower deck. This is the first time that I have had the unique opportunity of expressing the views of the lower deck exactly as I see them from the men's point of view. I am quite convinced if you care to cross-examine the naval secretary that whatever I might say I would at least have his support and he will probably tell me I have not gone far enough. So I welcome his presence here; it makes me feel more at ease.

Secondly, gentlemen, you might like to know the method of selection. I am here actually to represent the Royal Canadian Navy as the Royal Canadian Navy. We have in the navy what is termed the Royal Canadian Navy which consisted of a very very small force. I suppose I should not mention any numbers, but it is a minute force. Then we have the R.C.N. "Temporary" of which I am a member, belonging body and soul to this company to the end of the war. Then we have the R.C.N.R., which is merchantmen who enlisted during peace time, and last, but by no means least, the Royal Canadian Navy Volunteer Reserve, which consists of a vast number in the navy. Now all these factions I represent, unfortunately not unanimously. In any well organized school, gentlemen, I think we may happen to get certain elements of men whom we regard as lower deck lawyers, and that certain faction does not always quite see eye to eye with any individual, so the Captain gathered the whole of his ship's company under one roof and he said, "You fellows have got to produce a representative." We split ourselves into sections. One section called themselves the gunnery section, one the torpedo department, another the asdic department, and so on. They represented a total of ten departments, in addition to which we have the chief petty officers and of course the canteen committee. Then, all these fellows were told to go away and talk among themselves and the following day to elect a man as their individual representative. In due course these men would chat over the situation in the captain's cabin and decide which one of the party was to be sent to Ottawa. Gentlemen, I was the unfortunate victim that was selected out of this body.

We now proceed. I gather, gentlemen, you are interested in what is my specific qualification in the service and in case somebody says to me: "What particular part do you play and how come you here." I am known as a Chief Gunnery Instructor carrying out a detested duty with even more detested qualifications, but I am pleased to admit we achieve the right results.

You now want to know, I gather, what happens to our canteen funds. Now, gentlemen, this is a point that I want to make very clear to you and I do want afterwards, if there are any portions I miss, that you cross-examine me, because I have to go back in two or three days to this unholy body of critics and give an account to them, and that is a none too pleasant thought, gentlemen. Here I am quite comfortable, but yonder is another story. Before I left I asked my commanding officer if I could approach him unofficially. He said certainly: I said, "Sir, may I ask your advice on this subject, I mean what is the whole idea, what do these people want to know, what must I say, can you give me any idea at all?" He said, "I am awfully sorry, I have not the remotest idea, and in point of fact that is clearly your job. You make your bed, you know, and you must lie on it. I am afraid I cannot offer any advice at all." I said to him, "Sir, if you will pardon me, as an old hand at this game could I persuade you to help me, really, sir, can't you give me any idea of the subject-matter that is going to be questioned?" He said, "I am afraid I cannot. I believe actually they want some idea about combination funds between the three services or something on those lines." Well, at any rate, gentlemen, I went back to this committee

and I told them that I was coming up here absolutely in the dark. They said: "As a matter of fact we are of the impression that something is already 'out and dried,' you are going to be the milksop and they will say, 'Well, we asked for the representative to be here,' and so whatever you are now scheming would automatically be approved"; but I made it my business in order to prevent that from happening, not knowing the routine that you gentlemen actually carry out here, to make the acquaintance of Captain Grant and particularly asked that a true record be made of every word that I spoke so that I could come back and say, "Well, chaps, here's the evidence, read it." Fortunately Captain Grant stated that had already been arranged. "You need not allow that thought to worry you, it will be recorded." But, gentlemen, the moment that you want to segregate a man from his commanding officer, and do please take me most seriously about this, you are generally affecting the morale of the service, as I see it. I can justly claim that the morale in the Royal Canadian Navy, gentlemen, is the highest that it has ever been my privilege to see during my long service, and I am proud to emphasize that. But if you gentlemen have any future inquiries I feel quite sure that I am voicing the opinion of the lower deck when I say, "Don't say to our commanding officers, treat that man as though he is a 'leper' and say nothing to him. At least let him tender some advice to us." That statement is much appreciated not only by the senior ratings on the lower deck but by the most junior ratings, and I am sincere in that statement, gentlemen.

Now, we advance to the canteen question. I believe you know something about our very limited resources. I have here a confidential statement. I am not an accountant, gentlemen, but due to the confidence that exists between the audit department of our canteen and ourselves I at a moment's notice asked for and obtained a complete and comprehensive quarterly statement over a period of two and a half years in about two hours. I submit to you that co-operation must be 100 per cent to achieve this information. And if everything were not absolutely in accordance with the wishes of the greater majority of ratings numerous excuses could have been found to avoid producing that information. It is in pencil, but I am perfectly willing subsequently to pass it around to any member of the committee, subject to the chairman's approval. We show how our money has been split up and distributed under various headings. These are impromptu headings that I persuaded the accountant officer to do for my special benefit: "Benefits for Ships' Company," "Charitable Grants," "Sports," "Furniture, Radios," "Bad Debts," which one always gets, "Instruments for Band." We have, incidentally, a very brilliant band. It is all stated comprehensively here, gentlemen, to the last cent. Now we have another addition, what one could term a "welfare fund." I, being old and decrepit and unable to raise enough money to come to Ottawa and to bring my long-suffering wife with me, go to the canteen—I have not in point of fact done this, but this is the way it would work—and say, "Look here, I am really down and out, my mother is dying" or some similar pathetic story, "can you help me? I have nothing." They would say, "What do you want?" I would say, "Well, the fare is so much." They look into my case and providing I am a genuine case they will give me a loan and subsequently I agree to pay that loan, interest free, obviously, at a very small premium of maybe \$2, \$3, \$4, \$5 a month. And having proved to the committee my sincerity and my desire to repay my fund somebody sends for me and says, "Look here the canteen committee have decided to cry halt to this amount you owe them and we will leave the remainder as a grant." Now, we get varying cases of that type, not a great number of them, but they do crop up, and that is how we deal with them.

We now come to the question of the benevolent fund. Gentlemen, this benevolent fund has reached, so far as the Royal Canadian Navy is concerned, the stage of maturity. We thought of and started a benevolent fund as far back

as 1921; and whilst I have no desire to rub it into the naval secretary in that way, at some subsequent date if he could cut part of the red tape and wipe off the dust he will find there is correspondence at the Admiralty with regard to this benevolent fund, and from that date onwards we have had an accumulation of funds going into it. At the moment the fund stands in round figures at \$50,000. We hitherto have been unable to do anything with this fund. First of all, the charter has not been approved; we had no money really to speak of and without money one could not do a great deal. The idea is that this fund is to be used exclusively for the benefit of the men who are at present serving or will be serving in the permanent forces at the expiration of hostilities. It has been thoroughly agreed to, but no sailor, gentlemen, would suggest that the fund in any way be utilized to relieve any responsibility from the government when hostilities have ceased. If it is your desired intention to in any way make use of that fund to help a man who has any difficulties when he leaves the service during this unfortunate depression period that was so gloomily pointed out yesterday by the unemployment that you anticipate that will exist then, then I suggest that the sailor will see ways and means of expending his fund in its entirety at the present moment. That is practically unanimous amongst the various sections of the R.C.N. and the R.C.N.V.R. that I have hitherto mentioned, constituting the greater part of the R.C.N. They are in absolute agreement that this fund is to be used exclusively for the internal requirements of the serving forces. We would obviously appreciate a small grant from the government to help us along. It is the hopes of reward that sweetens labour and anything you gentlemen give us towards assisting us in that respect would be very greatly appreciated. That, however, is another subject and I do not wish to dwell on it; but if you tell the service, gentlemen, that we are fighting this war to come out and join the ranks of the unemployed then I strongly suggest to you, that you keep that between these four walls. We are of the opinion that we are fighting this war, gentlemen, for something vastly different from what we fought the last war for. We spend something like \$300 a month out of these funds on literature, that is at the present time advancing the education of the men in the service. We discuss these things in our mess. The days of the sailor being truly an ignorant lad no longer applies. And I would urge that some steps be taken before it is too late to make some provision for this derelict sailor that you picture, as a derelict air force man. I would say, gentlemen, that it is worth reviewing. That, I think, covers the situation with regard to our idea of our funds, which are not accumulations as a result of the war. We have been taking full advantage of opportunities to bring these funds up to a state of some consequence in order that in the future we shall have established something adequate to get things going for us, but we do not propose to touch the capital. I have not the remotest idea about finance, but I do not imagine one can do a great deal on a capital of \$60,000, so we have still got to scoop up, and we are hoping that when some of you gentlemen die no doubt in your bequests you will remember the R.C.N. Benevolent Fund. Some of the officers who are serving to-day have fairly well reached the retiring age and we hope that they will help us too. That, however, covers the story with regard to the benevolent fund.

Gentlemen, I am not here to waste your time. The lower deck very much appreciates the opportunity that has been given them to express their views. I think it must be obvious to you that there is naturally a line of thought that travels with individuals when they suddenly realize they have a representative member of parliament. They write him a very fierce letter. The world is black because they have been given some punishment. They say the commander was no good, never was and never will be, and so they write to their local M.P. and paint a black picture. He gets this letter and he says, "Here is a poor chap with no one in the world to take him up, I will bring him into this house on my back." Well, gentlemen, again I say after thirty years I have yet to come across a

genuine case of any man who has put forward any complaint at all with regard to the canteen or the disciplinary point of view that has not had 100 per cent satisfactory results. A great deal depends on how it was presented, and we all have ways and means of doing that. To go into a long story to explain what that individual's complaint is and to think upon the general trend of the Royal Canadian Navy which I re-emphasize, gentlemen, is definitely at this moment 100 per cent confidence in your senior officers, would be, I think, a waste of time of both the chairman and the committee. I thank you very much, indeed, Mr. Chairman and gentlemen.

Mr. ISNOR: Notwithstanding what the witness said that he was not able to make a speech he has done very well. Perhaps he would inform the committee, those coming from other than the sea provinces, as to what is meant by lower deck.

The WITNESS: The lower deck, sir, constitutes all men that came through the front of the ship and not the stern of the ship; the man that lives on the deck as distinct from the man that moves in the comfort of a luxury liner in the after part of the ship and who usually take up, with all due respect, sir, 80 per cent of the ship's comfort accommodation.

By Mr. Whitman:

Q. In regard to this benevolent fund you have spoken of, yesterday it was pointed out that the air force was putting one per cent into the benevolent fund or towards the building up of a benevolent fund. Is that the practice in the Canadian navy as well?—A. No, sir; we do not put in any stipulated amount; we people put in so much, little and often, as frequently as we can, and with that main object in view we are really conserving, I think I am right in saying, our personal entertainment at the present time for two reasons. I know lots of you gentlemen feel that I am saying these things and I do not mean them sincerely, but I would like you, if you have the time, to verify my statement, we say the country is at war, therefore we should not throw our money about as it would give a false impression and set a bad example. We therefore suggest that if we can keep our canteens showing us an approximate profit of 18 per cent we shall all be enjoying the advantages of the canteens and building up a fund. Then, in addition to that, we take into consideration the various general charities and we give \$350 every quarter to the general charity drive in Halifax and many other contributions. We say right now we will save every dime we can get, and as soon as we can raise \$5,000 we will place it in the bank to the credit of our benevolent fund; and the whole atmosphere is that we must boost this up. Now is the time to boost it up because when the war is over we shall probably lose about 23,000 men who are at present in the force. They are willing that we should do that. I can go further, gentlemen, and say we actually dip our hands in our pockets to give to any fund that we really feel is a deserving cause. To cite an instance, the Red Cross put on a country-wide ambitious drive and from my individual school where our members are very limited we subscribed out of our pockets, not the canteen fund, a total of \$190. That was done throughout the establishment from every individual department and in order to encourage it with the co-operation and suggestion of our commanding officer we make it a competitive affair in that we try to beat the next school and they try to beat us. In view of the way we carry this out we are not penalizing anybody, sir. I hope I have answered your question and made my point clear.

By Mr. Marshall:

Q. There is a question I should like to ask the witness. I assume that you have read the report of the special committee which was given to you yesterday with respect to the second question whether there should be one central fund or three?—A. Yes, sir.

Q. Well, now, on page 90 of the report of the special committee—it is likely that you did not read this, it was a question which I asked Captain Cossette who is the Deputy Judge Advocate of the Fleet—this is a question which I asked the Captain: “In connection with the committee that was set up under P.C. 7520, I think it was, the second question they were to study was whether there should be one central fund or three; that is, whether there should be one for each service.—A. Yes. Q. What is the attitude of the navy in connection with that?—A. The attitude of the navy is that each service should have its own separate benevolent fund. As a matter of fact we have prepared a draft for the organization of a benevolent fund for the navy—but so far it has not been approved—it is very much on the same lines as the Royal Benevolent Fund existing in the Royal Navy.” I want to know if that is the opinion which is held by the men in the navy to-day.—A. I am compelled to agree, sir, with Captain Cossette that that is definitely the outlook of the lower deck in the navy. We look, sir, with a certain suspicion on anything that brings the army or the air force—and I am sure my friends on my right will agree mainly, mainly because their members are so vastly greater than ours that therefore when Jolly Jack comes up they say we are getting much too many of these fellows, we are awfully sorry, we have enough of our own chaps to look after. We do not like that; we do not want them to interfere with us at all, sir, and the problems of the sailor are vastly different from that of the soldier. I do not appreciate the soldiers’ troubles, I have no desire to. I do appreciate, however, the sailors’ troubles and I am quite sure that I am expressing 100 per cent the view of the men I represent.

By Mr. Castleden:

Q. As a representative of the ratings, would you care to give us any change which you think the men should like to see in the operation of the organization or the expenditure of funds from the canteen?—A. So far as I am concerned I can make no suggestion whatever. We appreciate that no other system, gentlemen, could produce better results to the satisfaction of the navy than our present system, and before any new system, sir, was introduced, I am afraid that it would take us some considerable years to appreciate its advantages. We have been trained over such a long period and have found our present system does work, sir. If you would like me to speak to any particular individual case that you care to picture, I would be pleased to do it. I do submit to you that if I personally went to my board and I asked for relief this morning I will have that money within one hour’s time; and that is service on the nail; I do not think we can improve that.

Q. Then the general impression of the ratings is that they are pretty well satisfied with the way things are?—A. Yes, sir, definitely.

By Mr. Whitman:

Q. Did I understand you correctly when I thought you said that the benevolent fund has been built up since 1921?—A. Yes, sir.

Q. As against the army and the air force building up theirs since the war started?—A. I am not interested, sir, in the army or the air force; I can only speak for the navy. I think if you were to care to peruse the records which I have no doubt could be produced in writing it would support the evidence that I am giving to you verbally, sir.

By Mr. Marshall:

Q. This benevolent fund which is being built up and which has been built up since 1921 interests me. Are you not speaking of the benevolent fund in connection with the Royal Navy?—A. Definitely and emphatically no, sir, the Royal Canadian Navy.

Q. Captain Cossette in his evidence on page 90 said: "As a matter of fact, we have prepared a draft for the organization of a benevolent fund for the navy—but so far it has not been approved—it is very much on the same lines as the Royal Benevolent Fund existing in the Royal Navy."

Mr. ISNOR: That is the draft.

Mr. MARSHALL: I can understand that. I thought that probably this fund which has been in operation since 1921 might have formed a part of the Royal Navy fund.

The WITNESS: No, sir. The suggestion came up and like everything else we said how are we going to model this thing. Someone said let us discuss it with someone who knows something about the R.N., and it was promptly done. I do not think it follows the lines exactly, but in principle it follows the lines as followed by the R.N.B.F.; but there is absolutely no connection between the two funds, sir, whatsoever. And in fact ours does not exist at this moment, sir. All I can say to you is, let me produce a letter from the bank that the money is held in the bank for the Royal Canadian Navy Benevolent Fund, sir. I have it here, signed by the bank manager and the chief accountant, and I have it in black and white, sir.

By Mr. Isnor:

Q. As I understand it, this fund was started in 1921 and that you have transferred certain surpluses to the benevolent fund?—A. Yes, sir.

Q. And this fund at the present time amounts to \$40,000 roughly speaking?—A. \$50,000; it has gone up \$10,000, sir, since your mimeographed copy was made.

Q. You have invested certain funds in Dominion of Canada loans?—A. Yes, sir.

Q. Would you tell the committee as to what amount you now hold in Dominion of Canada loans?—A. \$10,000 Dominion of Canada 3 per cent 1941 Victory loan bonds, due on the 15th June, 1951. The numbers are quoted here, and the bonds are fully registered; \$10,000 Dominion of Canada second war loan 3 per cent bonds, due 1st of October, 1952. The numbers are recorded here. Registered in the name of the Canteen of H.M.C.S. *Stadacona*; bonds of the Dominion of Canada second war loan, and so on; another \$5,000 Dominion of Canada 3 per cent second war loan. Then the letter goes on to say:—

As requested we are pleased to advise we are holding for account of H.M.C.S. *Stadacona* Canteen, R.C.N. Benevolent Fund Trust in safe keeping as of to-day's date—

Q. \$30,000, in other words?—A. But since then it has gone up and we have added another \$10,000.

Mr. Ross (*Middlesex East*): It sounds healthy.

By Mr. Isnor:

Q. Now, may I inquire whether these funds accumulated from the result of profits of all canteens throughout Canada or what canteens?—A. One canteen. Just a moment. Am I strictly right, sir, because at the present time—you I believe come from Halifax and that rather embarrasses my situation.

Q. Don't let that embarrass you.—A. Because fairly recently we have started—I do not know whether I am permitted to say this—another training establishment or shall I say we have opened up a new ship or commissioned a new ship known as the *Cornwallis*.

Q. A good name.—A. The *Cornwallis* and the *Stadacona* operate under a combined canteen. But it is of interest to know that we get all sorts and conditions of seamen into our ports as no doubt from time to time you have been made aware of, men who enjoy the flowing bowl and by virtue of the difficulties

of the Nova Scotia liquor laws find their way to our canteen where they sit down in comfort, real comfort to the extent of \$8,000 in one canteen, and enjoy a good glass of beer in a clean glass and well served, sir. So that one may say that the United Nations individuals are in their own way periodically contributing to some very great extent to our fund. From time to time we are particularly generous and treat them with a free drinking night that is always well patronized, but it is just encouragement for the future trade. I understand, sir, it is a means of good advertising.

By Mr. Emmerson:

Q. Mr. Chairman, I should like to ask the witness a question. He has spoken about a canteen or two canteens. The navy operates canteens on their ships?—A. Yes, sir.

Q. Are they for the ship herself?—A. Definitely, sir.

Q. It does not appear in these statements?—A. Oh, definitely no, sir. I think I might at this stage point out to you, sir—you probably know more about the navy than I do—that the Canadian naval ships are very small. Actually we call them all a ship, but in actual fact they are all very small and the amount of funds that any of these Canadian ships may accumulate are so very very small the money can very readily be spent in such domestic ways as having the bedding sent to a laundry as distinct from using one wash basin for about 300 men in the ship. So that is really one of the ways in which they get rid of their funds when they have any.

Q. In other words it is used for the benefit of the men and the personnel of the ship?—A. Throughout the service that is the case.

By Mr. Marshall:

Q. I think it would be a true statement to say that this committee need not worry about any profit to be distributed in the navy at the close of the present war.—A. Sir, I welcome that statement on behalf of the navy, and if I can only go back and sincerely say that is the clear understanding I would so much appreciate it. That is the navy's outlook and I do cherish that remark, sir.

By the Acting Chairman:

Q. Will you please repeat again the amount which you said was being spent every month on literature? I did not quite get the amount.—A. I think I said approximately—

Some hon. MEMBERS: \$300.

The WITNESS: I am quite safe in that, sir, because it is a bit more. The amount is \$377.45, and although nothing here is mentioned about that, I am obviously not referring to the daily papers but the periodicals and so on are then transferred to the naval vessels. They have a party of officers' wives who look after the interests of the sailor and send various parcels away containing small luxuries in addition to literature and we send all our periodicals to them when we are finished with them; so in actual fact the periodical starts in *Stadacona* and sometimes picks up soundings the other side of the world.

Mr. WHITMAN: Mr. Chairman, I think it would be wise for the committee to realize that this benevolent fund has been built up by the navy since 1921 and apparently the idea is that the benevolent fund of the navy should be applied to the navy itself. I am pointing that out because of the suggestion which has been made here that these benevolent funds be collected and administered as one fund. That should be taken into consideration with regard to the navy fund when we are making our report.

By Mr. Isnor:

Q. May I inquire from the witness in regard to this amount of \$377.45 being spent on educational material, if that is apart from the books used by the naval vessels reading services?—A. Very definitely yes, sir. I have a further contribution on this very quarter ending 31st March, 1942, naval vessels reading service, \$300. We are very generous with our wealth, sir; we distribute it far and wide for the benefit of our own men because these fellows in the naval vessels come in and go and although they may be away twelve or eighteen months they must inevitably return to us and it is a question if we did not, gentlemen, look after them that I would not care to be associated with the disposition of those various funds unless we generously looked after the welfare of the men in their absence.

Q. Now, there is another matter of \$350 to which you referred as having been contributions towards charity. Are these charities of a local nature?—A. Yes, sir. It is termed the Halifax Central Charity Fund. Now, sir, I do not pretend to know the details of this charity fund and I plead with you not to cross-examine me. I will endeavour and undoubtedly will be able to produce any evidence that you require, but I cannot tell you exactly who runs this. All I know is that there is such an organization, and included in that organization is the merchant seamen. They, I know, share quite an amount of this money we pass over.

Q. Yes; my only point in asking that question was to make clear that in addition to your own activities you take part in the local charity work being carried on in and around Halifax for the benefit not only of your own members of the R.C.N., but the merchant sailors as well?—A. Definitely, sir.

By Mr. Castleden:

Q. There is one question I should like to ask. Do the members of the merchant marine come in any way under the benefits of this benevolent fund?—A. No, sir. I thought I made it quite clear. The whole object of the fund is wholly and solely to look after the interests of the men actually serving in the Royal Canadian Navy.

Q. Would you have any idea as to what extent the merchant marine patronizes the navy canteen?—A. That is a broad question, sir, and I could not with any degree of accuracy tell you. I would say that if you perhaps were to appear there this afternoon or to-morrow you would not find one. If on the other hand you came in a couple of days later when the convoys are waiting to leave, well, we might be flooded out, sir. But to actually give you any impression whatsoever with regard to the patronizing it would be a shot from the blue; not only from me, sir, but nobody could give you in any general way a statement of fact on that point, sir.

MR. ISNOR: I thought perhaps Mr. Castleden might have in mind the distribution of profits; if so, I should like to add this, any member of the merchant marine who was taking advantage of the facilities of your canteen would be there more or less as a guest, an invited guest, would he not?

THE WITNESS: Well, an honorary member, sir, I think would be a more correct term.

By Mr. Isnor:

Q. They have their own manning pool in Halifax and for that reason do not take as full advantage of the canteen as do the regular members of the Royal Canadian Navy, and for that reason they certainly would not be privileged to enjoy any distribution of funds?—A. I hope I am not out of order, sir, but you know the question of trying to segregate individual sections of the community with the view of distribution of profits, I think from our point of view,

must necessarily be out of the question. I might I think fairly turn around to my friend in the army and say to him, "Look here, we spend an enormous amount of our wealth in your canteens, and to say the least they are more "grubby", what about some sort of a rebate?" The chances of us getting it from them, I am afraid, is remote, but it is a fact, sir, and I am quite sure my friend in the army would rigidly object.

Mr. MUTCH: It would be to your advantage if there was a general fund because you would profit very generously on account of the larger number in the army.

Mr. ISNOR: The navy is not seeking that.

The WITNESS: The question of a general fund, sir, is not what we are asking. I see my friend is in the army uniform. May I say with all due respect I acknowledge his hospitality but if he wants to hold that over my head as an axe to convert me to the central fund idea then I strongly suggest that he bar up the army canteens—

Mr. MUTCH: No, if it is given it will be a straight gift.

The WITNESS: That would be very much appreciated, sir.

By Mr. McLean:

Q. You spoke of this benevolent fund being used for the benefit of the Royal Canadian Navy. Do you mean while they are members of the Royal Canadian Navy or after they are discharged as well?—A. Sir, before I spoke I told you, you know, that public speaking was not a part of my qualifications. It has now become very obvious to me that I could not have made my point clear. We claim, sir, this is a statement of fact and if I can have it on the line I would appreciate it, sir. Our fund has nothing whatever to do with the man who has ceased to wear the uniform.

Q. That is the point I wanted to make clear.—A. That is definitely so, sir. We say it is a government obligation and we refuse to have anything to do with him. We might, sir, see that the applicant does not go down during the time the application is under consideration in Ottawa. No doubt then we would help him along.

By Mr. McCuaig:

Q. Have you separate wet and dry canteens?—A. Yes.

Q. Finances kept separately?—A. Yes, sir.

The ACTING CHAIRMAN: I gather that most of the members of this committee are land sailors. You referred to the letters B.M.I.T. For the purpose of keeping the record clear would you please tell us what you meant by those letters, B.M.I.T.?

The WITNESS: I am afraid you have me on the floor, sir. I have no recollection of that.

The ACTING CHAIRMAN: A short time ago you were giving some explanation and you used the letters B.M.I.T.

Mr. MUTCH: Royal Navy Benevolent Fund.

The WITNESS: R.N.B.T. I beg your pardon. That is my bad English. Royal Naval Benevolent Trust Fund.

The ACTING CHAIRMAN: I think the committee wishes me to express its thanks to you for the manner in which you have presented your report. It is a credit to yourself and to your associates.

I think Corporal McCaig would like to add a few words to what he said yesterday. If it is the wish of the committee we will now hear Corporal McCaig.

Corporal A. McCaig, recalled:

The WITNESS: Mr. Chairman and gentlemen, I should just like to say a word on behalf of the Royal Canadian Air Force. We are greatly pleased that you are taking this interest in the boys of the ranks of the R.C.A.F. and giving us this opportunity to tell you that we are satisfied with the way things are going now and that you have given us the opportunity of changing that if we wish and to make any subsequent changes as to what to do with the money now and any residue that is built up and left at the cessation of hostilities. I might just add, though, that as a representative from the R.C.A.F. may I say it is very difficult to get one man to give the opinion of all men. We are not all unanimous in the air force. You gentlemen probably recall not so very long ago the dominion government held a plebiscite costing many thousands of dollars to get an opinion, and it took considerable time to do that. We have been in existence, of course, just a short time. Although the canteens operated at Uplands are similar to those canteens operated in other service flying schools and training schools in the dominion, no one man from a service flying training school could give you a fully correct picture of the air force canteens in general. Our canteens are, as I say, operating at a profit, and that is the way the boys want them. They want that so they will have a profit to pass on to purchase sports equipment, entertainment, and things like that. I may also say that if at the end of hostilities there is a residue left it is the wish of the men that that goes into the benevolent fund; and it is the air force's wish, I do believe, that this fund should be kept separate; that there should be an Air Force Benevolent Fund, an Army Benevolent Fund, and a Navy Benevolent Fund, apart and separate. It was brought out yesterday that the administrative cost of holding them in that way would be great, that there would have to be one in every city and for that reason there should be a central fund held in Ottawa instead of in every city in every province.

By Mr. Isnor:

Q. Do you mean city or district?—A. Yes, sir, not district; that it should be kept in Ottawa alone, just one fund for each of the three services instead of separating them into the different provinces and that anybody requiring assistance from the fund should make application of the same sort as a man who is now in the air force enlisted as a single man, becomes a married man and puts in a claim for dependents' allowance. He puts in an application to the Dependents' Allowance Board, which in turn investigates and a decision is made after that. The board decides whether the claim is justified and if so the allowance will be granted, and if it is not justified it will not be granted. In the same way the benevolent fund should be handled.

By Mr. Mutch:

Q. Do you think it would work fast enough?—A. With the proper administrative facilities I do not see why it should not.

Mr. CRUICKSHANK: Who would make the investigation?

Mr. MUTCH: The administrative staff might eat up your fund pretty fast.

The WITNESS: Well, it would be a lot less administrative staff than if you had separate accounts in each district and cities. With one central fund it was brought out yesterday that the administrative cost of the administrative bodies in Vancouver, Toronto and other districts—

By Mr. McLean:

Q. Who would investigate those requests?—A. You could have the central board. The Dependents' Allowance Board is working on that now.

Q. They have investigators at a high cost going all over the country carrying on that work. Your suggestion would necessitate investigators going to Winnipeg, Vancouver and Halifax.—A. How do they propose the handling of it the way the set-up is now, sir?

Mr. MUTCH: There is no set-up yet.

The WITNESS: I would definitely say that an investigation committee should be set up and that investigation should be made and if it is a worthy case I do not see why the benevolent fund should not be brought into the picture.

By the Acting Chairman:

Q. I understand you are making your suggestion with reference to the air force, not the army and navy?—A. Yes, just the air force. I would say those are the general views of the air force. I just want to say again thank you on behalf of the air force for the interest you have taken in allowing us to express our opinion and our views on the matter and from your sincerity we know you will help us out in these matters.

The ACTING CHAIRMAN: Will the committee agree to the discharging of the witnesses so that they may have a chance to look over their evidence before it goes to the printer? I understand the next witness on the agenda is Mr. Dixon.

Mr. A. J. DIXON, recalled:

The ACTING CHAIRMAN: Mr. Dixon is here in connection with any questions that any member of the committee would like to put to him.

By Mr. Marshall:

Q. Mr. Dixon, there is just one question I should like to ask you at this time. It may be that you may not be able to answer it immediately, but if you have not the information probably you could get it for the committee. The question is in connection with the set-up of Manitoba which appears on page 7. I wonder if you can explain how it came about that there was a net loss on the realization of securities in the year 1933 of \$24,974.05. It does not show in the statement which appears on page 7, but it shows on the financial statement for the year 1933. Have you got Manitoba there? On statement "C": sale of securities, cost price \$212,102.64; profits on realization \$2,416.50; loss on realization \$27,390.55. Then on statement "B": net loss on realization of securities \$24,974.05?—A. Mr. Chairman, I am afraid I cannot get that. Nor do I think the information will be in the department. As I explained previously the department records consist in the main of these annual reports which were submitted to the minister each year under the terms of the Act, and the information before the department is, in the main, limited to such annual reports.

Q. Would it be possible for you to get that information?—A. In what capacity? As a witness before this committee or as an officer of the Department of Pensions and National Health?

Q. I would think as an officer of the Department of Pensions and National Health?—A. The department has already been advised by the Justice Department that its responsibility with respect to administration of these funds consisted of receiving the reports each year.

By Mr. Castleden:

Q. But in the Alberta reports you have a footnote as to the cost of the original shares and the present value of them?—A. That information appears in the audit statement which the department received in accordance with the terms of the Act.

Q. And the Manitoba statement also shows depreciation. That is a loss on realization for 1933?—A. Apparently, but that is all the information available to the department.

By Mr. Marshall:

Q. So it would not be possible for this committee to get that information through you?—A. I do not think it would be proper for the department to ask for it. However that would be subject to the directions of the committee.

By Mr. Castleden:

Q. Could we get a complete breakdown of the assets as shown in the Manitoba balance sheet? I think, Mr. Chairman, that is along the same line as the other one.

The VICE-CHAIRMAN: I should think it would be.

The witness retired.

The VICE-CHAIRMAN: I shall call Flight Lieutenant J. M. Wynn to the stand for a moment to make a statement.

Flight Lieutenant J. M. WYNN, called.

The WITNESS: Mr. Chairman and members of the committee, Group Captain Murray of the Royal Canadian Air Force has asked me to revise a portion of his evidence. I refer to page 105 of the minutes of evidence, volume No. 4. In the centre of the page a question is asked by Mr. Isnor as follows:—

Q. Dealing with this \$30,000 of a profit that covers the period of two and a half years?—A. Yes.

This has reference to the No. 1 manning depot canteen at Toronto which is administered by the Y.M.C.A. The next question is:—

Q. \$12,000 a year—that is the net profit plus 5 per cent of the net profit, is that correct?—A. It represents 95 per cent of the net profit of the whole operation.

Actually, Mr. Chairman, the picture is that 5 per cent of the gross sales are turned over to the R.C.A.F. manning depot and 2 per cent of the gross sales are used by the Y.M.C.A. as an overhead allowance to meet contingent expenditures and other unforeseen charges. The remainder of the net profit, after deducting wages, repairs, sundries, fuel, light, insurance, etc., is remitted to the regimental funds board together with an audited statement to that board. That is the evidence, Mr. Chairman, I was asked to correct.

Mr. ISNOR: I am glad the correction has been made. It gives a clearer picture of what has taken place in regard to the distribution of those funds.

The WITNESS: Yes.

By Mr. Isnor:

Q. Is the 5 per cent gross?—A. Five per cent of the gross sales.

Q. And 2 per cent—A. —of the gross sales.

Q. Is that part of that 5 per cent?—A. No, an additional 2 per cent.

Q. That is passed to the Y.M.C.A.?—A. Is retained by them.

Q. In both cases it is gross?—A. Yes, it is gross.

Q. A little further on in your statement you refer to a net?—A. Yes, actually after all these deductions, the balance is a net profit, and the whole of it goes to the regimental funds board.

The VICE-CHAIRMAN: Is that all?

The WITNESS: Yes.

The VICE-CHAIRMAN: Gentlemen, I understand that Captain Cossette has a few changes to make with respect to his evidence.

Paymaster Captain J. O. COSSETTE, R.C.N. called.

The WITNESS: Mr. Chairman and gentlemen, in connection with a question asked by Mr. Marshall on page 90 of the minutes of evidence I should like to make that a little clearer than it has been made so far. I refer the committee to this question:—

Q. In connection with the committee that was set up under P.C. 7520, I think it was, the second question they were to study was whether there should be one central fund or three; that is, whether there should be one for each service.

And then the next question:—

Q. What is the attitude of the navy in connection with that?—A. The attitude of the navy is that each service should have its own separate benevolent fund.

I think there is a misapprehension there that the fund which has been or in thought is being created is being created for post-discharge members of the forces, and is mixed up very much with this benevolent fund; that is as far as the navy is concerned. As my predecessor in the navy explained, the benevolent fund for which we are creating a fund—is not in existence but is only in draft form. We have been trying for years to get this approved, but so far we have not succeeded; but in the meantime our canteens have accumulated a fund which we have invested so that when the draft is approved we will have some capital with which to function. This accumulation of funds did not start in 1921, it started in 1910 when the navy came into being, and if you will look at the statement I passed to the clerk of the committee to be distributed to each member you will see a note at the bottom of the page which reads as follows:—

In addition to net profits held or invested as indicated above, there is an accumulated profit for period prior to 1st October, 1939

The profits shown for Halifax and Esquimalt which were the only two bases actually in existence in Canada really started in 1910; and from 1910 to the 30th September, 1939, the accumulation of wealth was: Halifax, \$5,717.18; Esquimalt, \$6,557.36. As my predecessor said, now is the time to boost our funds because we have a larger personnel. As he rightly mentioned also, *we want to look after our own people who are actually serving at the present time and who will be serving when the war is over. We want to make that point quite clear. That is why we want a benevolent fund*—because a man's trouble does not start necessarily when he is discharged from the service; my experience shows that the men's troubles start mostly after they get in the service. For example, we have a young man of 19 or 20 years of age, just out of high school, and he finds after six months that he is getting a steady salary, and that possibly he can get a marriage allowance, so he decides to get married. Good enough. Then his family increases, his troubles start coming in, and the first thing you know he cannot pay his way. We want to prevent this man from getting into the hands of the money lenders. This has happened before; we have had some very sad experiences; we have lost the services of very good men because they got into financial trouble and finally deserted. Some we had to release from the service through discharge. This is what the benevolent fund is for, to prevent such happenings. Suppose a man gets into trouble and needs \$200 or \$300, we will lend it to him without interest, and if after a period of months he cannot repay it due to the original trouble still remaining, it likely becomes a gift. That is why we want that fund now, *not for post-war discharges* which I think rightly belongs to the profits which are made from the auxiliary services. In other words, they are paying 5 per cent of net profit, or gross profit—I do not remember—to the auditor general to be placed in the trust fund.

By Mr. Ross (Middlesex):

Q. How are the repayments working out generally?—A. In which case?

Q. The loans?—A. By allotments?

Q. How are they working out? Are they working out satisfactorily?—

A. In some cases, if it is an ordinary seaman with a very low salary, it may take time, but if the same loan is made to a chief petty officer, a man like the man who was here this morning, who draws a higher salary, naturally the loan will be repaid in very good time and we are practically certain of repayment.

Q. I understand that these repayments are working out favourably in a general way?—A. They are.

Q. I am glad to hear that, because that enlarges the scope of the loans.—

A. As a matter of fact, the losses are practically non-existent. It is just in cases where the men cannot make the grade that we make it a gift instead of a loan, and we want to be able to help our own people carry on without having to go to the money lenders.

By Mr. Isnor:

Q. You are not quite correct. This fund has already been created, but it has not been approved.—A. It is a matter of welfare at the present time. It is not a benevolent fund; it does not exist. In other words, the canteen committee at the present time use the fund that they have at their disposal to distribute—I will not call it charity—but for the welfare of the men and their families.

Q. You heard the evidence of the other witness, representing the lower deck; he stated that this is to be used entirely for the benefit of the permanent force?—A. That is right.

Q. That would be the Royal Canadian Navy?—A. That is the idea.

Q. Now, there are no benefits accruing to such members in the R.C.N.V.R.?—A. Now, yes. After the war part of the profits are spent immediately. If you will look at the statement it is not exactly 50-50, but it is pretty near. The total profits distributed at Halifax were \$41,752 out of a total gross profit of \$72,636. Half of the profits are actually spent for the welfare of the people actually serving now, including the Reserves.

Q. I have no objection to that?—A. I am trying to point out that those people are not overlooked. We cannot help those people afterwards because they will be scattered all over the world. At the present time the largest part of our profits come from the allied navies. We have the navies of practically all allied nations, and these men, not having a country and few friends, patronize the canteen to a great extent—more so than the man who has his home in the port and goes home when his day's work is over. Therefore, we want to spend at least a good percentage of the profits for the benefit of these people. In the meantime we do not want to overlook *those who will remain in the service when the war is over*, and therefore we have created this trust fund invested in Dominion bonds which we hope to have transferred to the benevolent fund as soon as it is approved.

Q. Were you here during the entire time that the chief petty officer gave his evidence?—A. Yes.

Q. He was dealing with the Halifax canteen entirely, was he not?—A. Yes, definitely with the Halifax canteen. I understand that since this statement was prepared the profits have increased by \$10,000. On this statement you have the four main canteens—Halifax, Sydney, Saint John, and Esquimalt.

Q. The Halifax canteen is by far the largest?—A. It is definitely the largest.

By Mr. Cruickshank:

Q. Does Esquimalt follow the same procedure?—A. Exactly. We have a uniform system all the way through, except that on the ships, the canteens being so small and the ships' companies small, we spend the profits as we go along; there is practically nothing to turn over to any trust fund.

Q. If there is a benevolent fund how will Esquimalt fare with \$50,000 approximately in bonds allocated to Halifax only?—A. Esquimalt has \$9,299.98 plus \$6,557.36 which is a little over \$15,000 in trust which will go to the benevolent fund.

Q. That would be approximately \$110,000?—A. Do you want to know what percentage they would get?

Q. I am quite in accord with the navy having its own fund; what I want to know is will that \$110,000 be amalgamated and distributed?—A. Yes, because the men serving in Esquimalt may be in Halifax to-morrow or Saint John the next day. As long as they are in the Royal Canadian Navy they are entitled to have the benefit of the fund.

By Mr. Whitman:

Q. There is one benevolent fund for the Royal Canadian Navy?—A. Yes, that is right. The idea at present formulated is that there should be one single committee here at Ottawa with sub-committees at each port. Those sub-committees to investigate the cases on the spot, make the grants and make the report here afterwards. If the grant is not right it is up to us to question it afterwards.

By Mr. Isnor:

Q. Would you limit that to certain amounts?—A. Yes, naturally we would have to make a limit—formulate regulations to have the fund administered properly.

Q. I understand that while there is no set rule the limit is around \$100 at present for loans, is it not?—A. I cannot tell, because the canteen committees at each of the stations at the present time have that under their own control, and if they wish to give \$5,000 and the captain approves, it is given.

Q. I made inquiries a short time ago.—A. They may have local regulations to that effect, and at present we do not interfere with the canteens at all. We practically know nothing about the canteens except that they have to follow regulations and send in returns.

By Mr. Cruickshank:

Q. Don't you think there should be some reasonable limit?—A. Oh, definitely; but in drafting the regulations for the benevolent fund the limit will be set definitely. If the loan or grant pass that limit, headquarters or—

Q. A special committee?—A. Or a special committee will have to decide on the merits of the case.

By Mr. Isnor:

Q. In regard to this benevolent fund, you have the draft all ready at the present time; has it been sent to the government?—A. To my knowledge, I think we have made about ten drafts already.

Q. How does it stand at the present time?—A. It is on file, and the only thing that prevented it being approved last time it was submitted was that there was an investigation by a committee of three—the Auditor General was one, and General Macdonnell was another and I do not remember the other

name—when this committee started to investigate the question of funds, special funds, I think our proposed benevolent fund remained in abeyance from then on.

Q. Do you think it wise to have a draft of that agreement—to have a draft presented to this committee so that this committee could study it?—A. I should not think so at this stage, because it might have to be improved a lot. From what I have heard in this committee we may have to change quite a few things to make it absolutely foolproof.

By Mr. Marshall:

Q. I take it that the reason why you have not gone any further with the draft is that you do not know just what disposition is going to be made of your own benevolent fund?—A. No, we know exactly what we can do with the money, but we do not want to go too far. This committee is sitting here and is likely to make some recommendations. Until the draft has been approved we do not want to force the issue, there is no object in that. From what we hear in the evidence we might find some good points to put into those regulations which would make them even better than they are although the fund is patterned on the Royal Navy Benevolent Fund at the present time.

Q. There would be no necessity to make regulations with respect to the benevolent fund if a central committee is going to recommend to parliament that the money should be lumped into one sum?—A. Is it the idea that the committee should recommend that the funds at the present time should be taken in? It strikes me that a fitting comparison would be where a successful grocer had accumulated large profits and then the city council suddenly decided that they would pass a by-law and take all those profits to relieve distress in the city because the taxpayers were formerly customers of his. I do not think it is right.

By Mr. Isnor:

Q. We would not want the witness to carry that thought away with him; we have not reached that stage?—A. I do not say that you have. I am trying to give you an example, if it should happen that this fund were taken away from the navy and put into a central fund.

By Mr. Mutch:

Q. The illustration is apt, but is it not possible that if that were done you would benefit by it?—A. No, but I think the taxpayer would benefit the same way if the by-law was passed imposing a tax on all the grocer's profits. I may say that the canteen committee would certainly be quite willing to pay a certain percentage of their profits to the common fund and still run their own benevolent fund besides.

Mr. CRUICKSHANK: I am pleased to see that you have \$50,000 invested in Dominion bonds in view of the regrettable conditions that existed in the last canteen fund.

Mr. ISNOR: Not in the navy.

Mr. CRUICKSHANK: I know, but I think they should invest in Dominion of Canada bonds and not in any wildcat speculations.

By Mr. Cruickshank:

Q. Captain, do you not think it should be mandatory that they must invest in Dominion Government Bonds?—A. Yes, certainly, I see no objection whatever. As a matter of fact it is the safest investment possible.

Q. Do you not think it should be one of the regulations that they must invest in Dominion Government bonds?—A. Yes. The only point is, that according to our regulations at the present time there should not be any fund to invest.

Q. You have \$50,000?—A. I know. We are not supposed to have that, so we cannot make regulations for what we have not got.

Q. In some provinces money from the canteen fund was invested in certain—shall I say a useless concern in Toronto—put it that way—and other moneys were invested in Provincial Government bonds which were only worth 50 per cent. I do not think it should be left to the discretion of the provincial committees of the navy, army or air force; I think it should be mandatory that all investments must be in government bonds.—A. I have no objection; I think it is a splendid idea.

By Mr. Whitman:

Q. Is there not something in the Insurance Act which specifies that an insurance company must have so much in government bonds and then they can have so much in common stocks? Would that be satisfactory?

Mr. CRUICKSHANK: Not to me. This is a trust fund, and it should be invested in government bonds absolutely. What stock is any good now, will anyone tell me?

The VICE-CHAIRMAN: Gentlemen, we are finished for to-day. To-morrow we are to have Mr. Herwig, General Secretary of the Canadian Legion, and Mr. H. G. Norman of the Department of National Defence. Mr. Herwig wishes to get away early and I think the committee should meet his convenience by meeting at 10 o'clock.

The committee adjourned to meet Thursday, June 18, at 10 o'clock a.m.

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SESSION 1942
HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

CANTEEN FUNDS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

THURSDAY, JUNE 18, 1942

WITNESSES:

Mr. J. C. G. Herwig, Acting General Secretary, Canadian Legion, B.E.S.L.
Mr. H. J. Norman, Department of National Defence (Air).

OTTAWA
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PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942

JUN 24 1942

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

THURSDAY, JUNE 18, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 10.00 o'clock a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided. The Chairman retired from the Chair at 11.00 o'clock a.m. and the Committee for the remainder of the meeting was presided over by the Vice-Chairman, Mr. J. A. Blanchette.

Members present: Messrs. Abbott, Black (*Yukon*), Blanchette, Claxton, Cruickshank, Emmerson, Ferron, Isnor, Jackman, Macdonald (*Brantford City*), Macmillan, McLean (*Simcoe East*), Marshall, Mutch, Ross (*Middlesex East*), Ross (*Souris*), Turgeon, Wright—18.

In attendance: Mr. J. C. G. Herwig, Acting General Secretary, Canadian Legion, B.E.S.L., with Mr. Richard Hale; Mr. H. J. Norman, Department of National Defence for Air; Major Georges Garneau; Flight Lieutenant J. M. Wynn and Flight Lieutenant P. N. Primrose of the R.C.A.F.; Mr. Robert England; Mr. A. J. Dixon.

Mr. J. C. G. Herwig was called. The witness read a submission and was examined thereon. And he retired.

Mr. H. J. Norman was afterwards called. He in turn read a submission and filed a statement which is Appendix "A" of to-day's proceedings. He was examined at length and he retired.

The Vice-Chairman thanked the witnesses on behalf of the Committee and both were discharged.

The Vice-Chairman announced that at the next meeting, the Committee would take into consideration Bill No. 5, "An Act to provide for the reinstatement in Civil Employment of Individuals who enlist for service in His Majesty's Forces or who perform essential war employment". The members were informed further that a copy of the said Bill No. 5, with all relevant documentation, would be distributed by the Clerk of the Committee.

At twelve o'clock noon the Committee adjourned to meet again on Tuesday, June 23, at 11.00 o'clock a.m.

ANTOINE CHASSÉ,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

June 18, 1942.

The Select Committee on Canteen Funds met this day at 10 o'clock a.m. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: Order, gentlemen. We have with us this morning Mr. J. C. G. Herwig, who is acting general secretary of the Canadian Legion of the British Empire Service League. With him is Mr. Richard Hale, the chief pensions officer of the Canadian Legion. I am sure the committee would like to hear the views of these gentlemen as to the present operation of the canteens, the accumulation of profits, and any suggestions they might have with regard to the disposal of those profits.

Mr. Herwig, we would invite you to give us any information which you think would be helpful to us.

Mr. J. C. G. HERWIG, Acting Secretary, Canadian Legion of the British Empire Service League, called.

The WITNESS: Mr. Chairman, I think the best thing to do would be to read you a prepared statement. We have sufficient copies for each member of the committee, and with your permission, sir, I shall proceed:—

Mr Chairman and Gentlemen:—

In making this presentation to your committee, the Legion has in mind the great deal of information which has already been placed before you regarding the collection and disposal of funds derived from canteen profits. We desire, therefore, to make only a few general observations before submitting specific recommendations.

The accumulation of canteen profits in any large sums occurred for the first time during the last war. The governments of most British countries took cognizance of these moneys and established a policy for their disposal either by Act of Parliament or by some other governmental decree. In Canada, separate provincial funds were established by Act of Parliament to be disbursed by trustees who had great freedom in determining their policies, both as to the methods of administration and the purposes for which the money would be used, provided they fell within the terms of Section 10 of The Canteen Funds Act.

What has happened to these various provincial funds has already been placed on the record and Legion comment will be made solely in the light of Legion experience respecting them.

As a service organization, The Canadian Legion does not itself administer any large central benevolent funds. The Poppy Fund is raised locally and is administered locally by Legion branches. The money is wholly disbursed in the community in which it is raised.

When a case requiring assistance is brought to the Legion's notice, it is our responsibility to ascertain from what existing agency assistance can be secured. It is only if this can be secured from no other source that recourse is made to a canteen fund. Our experience and relations with canteen funds, therefore, have been largely provincial and local. In the canteen fund set-up, there has been no Dominion body which could in any way affect the policies or administrative

practices of the provincial canteen fund trustees. The consequence is that there has been little uniformity in either policy or administration. Neither, as far as we know, has a complete survey of canteen fund operations throughout Canada ever been made.

The allocation of canteen funds to the different provinces was made according to enlistments and discharges, but no provision was made for subsequent removals from one province to another. While theoretically every man who served had an interest in the fund, yet it was not possible to apply funds where they might be most needed. Locking up a large sum in an area where the need is not so great tends to keep the money lying idle, while in other parts where the need is great no funds are available. British Columbia is an example. In the allocation of funds, British Columbia received 10·94 per cent, yet in 1938 13·32 per cent of the pensioners of Canada and 25·05 per cent of the recipients of War Veterans' Allowance were in British Columbia. This did not mean that the degree of disability of veterans in British Columbia was greater than elsewhere. It simply meant that on account of climatic conditions there was a migration of veterans to that province. The result was that, although this fund was carefully administered assisted by the British Columbia government, it was one of the first to be exhausted. In other words, British Columbia had to utilize its funds for the care of veterans whose proportionate share had been allocated elsewhere.

Another example, of a different character, is provided in Saskatchewan. There the fund, until 1930, operated on interest. Then came the drought and low prices and an emergency developed which resulted in the rapid depletion of the fund. Here there was a local emergency for which no special provision could be made.

There has been a lack of uniformity in the principles of administration, except in the most general way. For example, there was general acceptance of the principle of refusing direct relief, but there has been considerable variation in the nature of the relief afforded.

It was left with each board to arrange its own investments and some losses occurred. There is an instance where funds were invested in securities which could not be realized. There are others where boards yielded to local pressure to make real estate loans which, while they may have been within the provincial Trustees Act, were not the kind of securities in which such funds should have been invested.

While, in fact, responsibility rested with the provincial governments, we know of no cases where such control was exercised. The trustees were required only to submit audited statements to the Department of Pensions and National Health but evidence has already been submitted to show that some of these statements were quite worthless. Certainly with a proper inspection, defalcations could hardly have gone undetected.

Administration costs which were in the discretion of the trustees varied greatly and the method of investigating claims also differed. In some provinces they were much more restrictive and expensive than in others.

Reviewing canteen fund operations in retrospect and having in mind the interests of the men who created the funds, it is difficult to escape the conclusion that a central co-ordinating authority would have been a blessing.

In regard to the collection of canteen funds, they were and are now derived in three ways:—

- (1) From Auxiliary Service Canteens;
- (2) From Naval, Army and Air Force Institutes;
- (3) From Regimental Institutes and Canteens.

Generally speaking, the funds derived from the first two sources came within the jurisdiction of the canteen fund but the balance in regimental funds

generally remained in the hands of the military trustees. No control was exercised over these regimental funds and it is questionable whether such funds could ever be equitably administered, because very few regiments have a Dominion-wide organization; yet we know that their men are to be found everywhere. In the result, those who lived near the headquarters of the unit get the most benefit, while the men elsewhere are apt to be overlooked. It is, therefore, a question whether some portion of such funds should not be allocated to the central fund for general benefit. In any event, an important question of the control and policy of application of these funds arises, if it is considered desirable that there shall be no overlapping or unnecessary expenditures.

In respect to canteen profits derived from the auxiliary service organizations of which the Canadian Legion is one, we would like it to be recorded that in the formative period of Canadian Legion War Services, resolutions were received from our branches, urging the establishment of the principle that any profits derived from the operation of canteens should be used for the benefit of the men of the armed forces, either during service or during the re-establishment period. This principle was accepted and was recorded with the government, both in respect to profits as they accumulated and also in respect to any surplus that might remain after the war is over. This policy regarding a surplus is recorded in a minute of the Dominion Executive Council of the Canadian Legion on September 19, 1939, in the following terms:—

That on the completion of the enterprise the accounts shall be audited by the Auditor General of Canada and surplus funds, if any, shall thereupon be transferred to a fund to be known as "The United Services Fund of Canada" for the benefit and assistance of veterans who serve in the war.

The agreements with the Department of National Defence, containing these principles regarding the use of canteen profits, which the Legion consistently supported from the beginning, have been filed with your committee.

We are aware that there are two schools of thought respecting the disposal of funds of this nature. One urges that the funds should all be utilized, as they become available, for the immediate benefit of the men in the services. The other view is that a very substantial fund should be created to assist ex-service men in post-war years, who cannot receive aid from any other source. As men who have served, and who ourselves have helped to accumulate canteen profits, we naturally have sympathy for both points of view. Anything that could be done to improve the lot of the serving soldier in the last war was always welcomed by us. On the other hand, we have also had the experience of the past twenty-five years and we realize what a great amount of good can be done among veterans with a substantial fund available from which certain types of assistance can be given. This also is the experience of the British Legion in Great Britain, where very substantial funds were also available from canteen fund sources, and which are still doing a great deal of good. Later we will file some information that might be helpful to the committee regarding the uses to which funds from canteen profits are still being put in Great Britain.

It has been noted that the representatives of the navy and the air force desire to maintain benevolent funds for their respective services, and they would naturally expect that the funds derived from canteens operated among their own men should be channelized to their respective funds. We, of course, recognize their right to determine for themselves where and how such funds shall be utilized; yet, if any substantial funds remain after the war, then they will, no doubt, desire to maintain separate organizations and set up separate administrative means of disbursing the funds. While we know they are quite capable of doing this both adequately and efficiently, experience indicates that

there is a great deal to be said for a strong, centrally controlled united services fund administered according to policies satisfactory to all arms of the service. It is well to bear in mind that the needs to be met will for the most part be of a similar character in which service distinctions and even rank will not be of importance.

In making the following recommendations, we are assuming that steps will be taken to see that a very substantial sum will be available at the close of the war as canteen funds, and that appropriate action will have been taken to bring them together into a consolidated fund, which might be called "The Canadian United Services Fund." We would therefore recommend:—

- (1) That the general control of the canteen fund remain in the hands of a central board.
- (2) That to facilitate administration, provincial boards be set up but that, instead of allocating to each board a specific portion of such fund, each board receive only advances from time to time according to need and subject to proper accounting.
- (3) That administrative expenses be borne by the Department of Pensions and National Health. In other words, that the department would provide office accommodation, clerical assistance, etc.
- (4) That the administration of the funds be subject to periodic inspection by some qualified person.
- (5) That all funds be invested only in Dominion securities.
- (6) That regulations be prepared for the administration of the fund and that in particular the principles upon which assistance would be given should be clearly defined.
- (7) That it would be inadvisable to use departmental investigators but that arrangements should be made to utilize the machinery of the Red Cross, Associated Charities and recognized Veteran Organizations to investigate claims.
- (8) That Regimental Canteens be made subject to the same supervision and control as Auxiliary Service Canteens and that all surpluses be turned into the general fund, or
- (9) Alternatively, that there be close supervision of the application of Regimental Canteen profits and that all surpluses at the termination of the war be turned into the general fund.

At this point, it might be helpful to the committee if we place on the record some information regarding the operation of the British United Services Fund, which received the bulk of the profits from the British Army canteens during the last war.

According to the latest report available here, namely, for the year ending September 30, 1938, the assets of this fund, although steadily decreasing, still stand at more than two million (£2,000,000) pounds.

Since 1934, certain schemes have been administered in conjunction with the British Legion in England, Ireland and Wales, as follows:—

Scheme A (Temporary Need).....	£209,171
Scheme B (Chronic Sickness).....	40,224
Scheme C (Surgical Appliances).....	5,968
Scheme D (Special Medical and Convalescent Treatment)	24,765
Scheme E (After-care of Children).....	1,765

One-third of the total amount was contributed by the United Services Fund.

It might be added that the British Legion obtains the remaining two-thirds of the cost of these schemes mainly from the annual sale of poppies. The schemes are administered through a special department of the British Legion

known as "The British Legion and United Services Fund Benevolent Department."

The point, however, is that the trustees of the United Services Fund, in this instance, found it both expedient and economical to join hands with the British Legion in this manner to prevent overlapping and to reduce the cost of administration. A more detailed statement regarding the nature of the benefits provided by this department is attached for the information of the committee.

There are also other schemes which are wholly administered by the United Services Fund. A list of these is also attached.

The amount expended in 1938 through the system of joint administration with the British Legion was £95,250, in addition to a grant of £10,000 towards the cost of administrative expenses.

The gross expenditure of the United Services Fund for that year was £194,296, which indicates that the expenditure was about equally divided between the jointly administered schemes with the British Legion and the schemes wholly administered by the United Services Fund.

In the United Kingdom, there are no less than 422 different organizations doing benevolent work among those who served in His Majesty's forces. These include a large number of regimental funds and funds of naval and military associations. For the benefit of ex-service men the British ministry of pensions published a guide to voluntary organizations and funds, and I may say that the Canadian Legion, through its membership in the British Empire Service League, has been able to secure a great deal of assistance for imperial ex-service men in Canada through some of these funds, whose regulations enabled them to assist men outside of the United Kingdom. Some very generous grants have been made in individual cases, upon our investigation, and for our administration during past years.

SCHEMES OPERATED JOINTLY BY THE UNITED SERVICES FUND AND THE BRITISH LEGION

(1) Relief of temporary distress caused through unemployment or sickness, where need is proved. (Men, widows, wives, children and dependents.)

(2) Clothing and tools to enable men to take up employment, and fares, if unobtainable from Employment Exchanges.

(3) Men suffering from chronic illness and unfit for work—grants for some specific purpose, such as coal, clothing, blankets, food. Extended aid where there is permanent incapacity.

(4) Removal grants for widows and children on health grounds, and for men and their families when permanent employment offered elsewhere (and help not provided by Ministry of Labour).

(5) Temporary awards to widows suffering acute hardship through recent death of husband, and to men needing help with care of children on death of wife.

(6) Surgical appliances for men (where injury not due to war service), and to their wives, widows or dependents.

(7) Special medical treatment for men, their children or dependents, if urgent and not obtainable locally. Includes temporary assistance to family in certain cases where man detained in an institution.

(8) Apprenticeship fees or special training for disabled children under 16, and assistance, training, tools or equipment for fatherless children entering a trade or profession.

(9) Convalescent treatment for men in approved cases, with maintenance allowances, if necessary, for wife and children. Also similar treatment for wives and children.

(10) Assistance, in co-operation with statutory Local Authorities, with funeral expenses of destitute deceased men (not relatives).

(11) Dental treatment up to £6 in one case for necessitous ex-service men and ex-service women handicapped in working or obtaining work through defective teeth.

(12) Loans up to £25 (or £50 exceptionally) free of interest to help men or widows in business. Small grants to disabled men for same purpose.

(13) Limited loans to men and widows for training provided employment assured and maintenance otherwise arranged.

(14) Loans or grants for approved schemes for employment of ex-service men.

(15) Placing children in suitable homes and institutions or in exceptional cases maintenance with foster parents.

(16) A limited fund for necessitous ex-service men with service wholly pre-war or post-war, and their dependents.

(17) Miscellaneous cases of a deserving nature, including help in emigration, if employment assured abroad.

SCHEMES WHOLLY ADMINISTERED BY THE UNITED SERVICES FUND

(1) *Scottish cases*—Over £9,800 was disbursed—to 3,500 cases—mainly in sickness grants and grants to wives, widows and dependents.

(2) *Boarding-out of Children*—During the year, 65 children became self-supporting and, at the end of the year, 119 children were still under care. The cost for the year was £2,152.

(3) *Boarding-in of Children*—There were 920 cases being assisted under this scheme at the end of the financial year. During the year, 128 children became self-supporting or otherwise ceased to require help from the Fund.

(4) *After-care of Children*—86 children received assistance at a cost of £2,013.

(5) *Education Scheme*—A sum of £20,297 was expended on 3,155 cases. No fresh cases have been accepted since 1st August, 1934, other than those of fatherless children requiring post-secondary education and then only when definite proof of exceptional ability and of financial stringency is forthcoming; 35 such cases were admitted during the year.

(6) *Byng House, Southport*—Convalescent treatment was provided for 817 men at this Ex-Service Men's Home at a cost of £2,526, but the British Legion Relief Fund donated £2,443 of this sum, making a net cost to the Fund of £82.

(7) *Training Ship "Stork"*—The Fund makes an annual grant towards the training and maintenance of boys admitted to the Training Ship "Stork", stationed at Hammersmith, where they are trained for the Navy or Merchant Service.

(8) *Ex-Service Women*—During the year £6,130 was spent in assisting Trained Nurses and V.A.D. members, mainly to relieve distress caused by illness. By putting applicants into touch with other funds, much useful work has been done, and in many cases pensions have been obtained for them.

The Fund has continued to maintain or support the following:—

Queen Alexandra Residential Club, Cromwell Road, S.W. 7;

Queen Alexandra Convalescent Home, Weybridge;

Queen Alexandra House, Folkestone;

Ex-Service Women's Club, Buckingham Gate, S.W. 1;

Scottish Nurses' Club, Glasgow; and

Helena United Services Holiday House, St. Leonards-on-Sea.

By means of the Service Women's Benevolent Fund, assistance has been given to Ex-Service Women in cases of serious illness and distress, both at home and in the Colonies.

GRANTS TO OTHER SOCIETIES, ETC.

Grants, as follows, were made to other societies during the year:—

- Princess Alice Home, Slough, £200.
- Wounded Warriors' Welfare Committee, Leeds, £75.
- National Library for the Blind, £250.
- The Officers' Association, £15,000.
- Disabled Soldiers' Embroidery Industry, £200.
- National Benevolent Society for the Deaf (Deafened Ex-Service Men's Fund), £500.
- St. David's Home, Ealing, £250.
- Sir Beachcroft Towse Ex-Service Fund for the Blind, £500.
- Council for the Promotion of Occupational Industries among the Physically Handicapped, £500.
- Queen Alexandra Hospital Home, Worthing, £1,300.
- Embankment Fellowship Centre, £200.
- Soldiers' and Sailors' Home, Eastbourne, £700.

EX-SERVICE MEN'S CLUBS

The Fund has continued to inspect and advise the clubs established under local Welfare Schemes.

The CHAIRMAN: Thank you very much, Mr. Herwig. I am sure you have given a very splendid presentation and it will be very helpful to the committee. It is very clear and very concise. I think it is one of the best statements we have received, and I wish to congratulate you and those associated with you on your preparation of it.

The WITNESS: Thank you, sir.

The CHAIRMAN: Are there questions you wish to ask Mr. Herwig with respect to the statement he has made? If there are Mr. Herwig, I am sure, will be kind enough to answer them and explain anything.

By Mr. Isnor:

Q. I should like to inquire from the witness as to why he feels it would be inadvisable to use investigators from the Department of Pensions or the departmental officers in these cases.—A. Well, that is a long story. That goes back into history, perhaps. These funds, after all, are the men's funds you see and there is relationship between the soldiers and the department which I think makes it unwise. I think it is something like this: a pension advocate by a separate body is sometimes by many people regarded as a more suitable arrangement than having a departmental man do the job for the soldier. The same thing applies in investigations. The men would prefer to have some independent organization handling funds of this nature or investigating funds of this nature.

Q. The staff of investigators under the Department of Pensions and National Health at the present time is very much larger than it was several years ago, I understand?—A. Oh, yes.

Q. And for that reason—A. Perhaps I can explain it this way. The type of investigation of these funds would be very different from the type of investigation necessary with regard to municipal relief or departmental relief that used to be given by the department; and it would be very much more acceptable to the individual to have an organization like the Legion or the Red Cross do the investigating.

Q. The investigators of the Department of Pensions and National Health actually do certain work, as I understand it, in connection with special cases for dependents' allowances. Would not those investigators be in a better position

to make a report as to the merits of the case than would another investigator?—
A. In some places.

Q. Investigators from the Red Cross Association or others, and I say that very kindly?—A. It all depends where it is being done. There are places where the department itself would use the Legion or the Red Cross to do its investigating.

Q. Yes, I understand that, but I am speaking more particularly of the type of investigator that they have in Halifax in M.D. 6. They have done exceptionally good work; the reports are very very fair and I think satisfactory to both the department and to the individual—A. Of course, I say from the Legion's point of view the relations with departmental officials are very much different to-day from what they used to be years ago. The Legion, for instance, is co-operating with the department in many ways, has been invited to do so by the minister, and a different relationship has been established; but at the same time we have to take this into consideration: here we are dealing with the funds of the returned soldiers and I think it would be a good thing not to have departmental investigations into canteen funds; leave it in the hands of somebody—

By Hon. Mr. Macmillan:

Q. Would you use the Veterans' Welfare Organization?—A. I am inclined to think that relationship will develop, and I also think the Welfare officer would likely call upon the Legion or some other organization to do it for him.

By Mr. Mutch:

Q. Is it not almost inevitable that most of the information will come from the chaps who are doing Welfare officers' work? They are the most likely men to present the details, if something is being done for someone in distress.—A. Probably he may do some of that as events develop, but whether he does that sort of thing or not I do not think that should be regarded as primarily one of his duties.

Q. I am just suggesting, for example, that that might be more or less inevitable that they would do something of that sort.—A. I do not think the Welfare officer who is located in Winnipeg can do investigating in Neepawa or Roblin or some place along the line. The local branch could do it very well.

Q. He might be the source of information.

By Mr. Wright:

Q. Most of the claims on this fund as a rule come from local branches of the Legion, do they not?—A. A great number; I would not suggest all, but a great number.

Q. I certainly agree with the claim made by the Legion that it should be an independent investigator rather than a departmental investigator. I think it would be much more satisfactory in the long run. I know they are very good men but there may be poor men on the other end. I think taking it as a whole it would be more satisfactory to have either the Red Cross or some independent body do the investigating. After all, this fund is the fund of the men, it is not a government fund.

Mr. MARSHALL: Mr. Chairman, I cannot quite understand why we should talk of those inspectors and yet ask as in clause 3: "That administrative expenses be borne by the Department of Pensions and National Health. In other words, that the department would provide office accommodation, clerical assistance, etc." Why should it have anything to do with the department at all? Why should they bear the expenses of the administration?

The WITNESS: That is just a suggestion, sir.

Mr. CRUICKSHANK: Who else would?

Mr. MARSHALL: Why should it not come out of the funds?

Mr. CRUICKSHANK: Do you mean the fund itself should bear the entire cost of administration?

Mr. MARSHALL: That is what it has been doing in the past.

Mr. CRUICKSHANK: No, it has not.

Mr. MUTCH: Is not this what is back of that presentation, that these funds shall be used for what they are worth and as such they are going, in so far as they are expended, into welfare work that will be contributing towards solving the problem that the Department of Pensions and National Health will have?

Mr. CRUICKSHANK: If this fund is to be spent for the benefit of the men surely the government can pay the administrative cost. In that connection you set up a central body and they will advance to the provincial authorities certain amounts. How would you arrive at the amount they would advance?

The WITNESS: The provincial body would naturally know what cases came to their attention, and they would be given an advance to cover those. They may start off with a certain sum to begin with, and as they progressed they would report to the central body the condition of their funds and the need to be met and a further allocation would be made.

Mr. CRUICKSHANK: Who would appoint this central board that would be set up; would it be appointed by the federal government?

The WITNESS: I think it would have to be that, sir, yes.

By Mr. Wright:

Q. If there was not some definite allocation made to the provincial body would not there be competition on the part of all of them to see how much they would get out of the fund, and some might spend more than others? Some may be conservative in their spending and others may be more liberal.

The WITNESS: Naturally, whoever is appointed should be ex-service men, and I think this would be the principle, in so far as the administration is concerned, that they should all be men—if there is a central fund—of the services. The central body should certainly be of the very highest type of officer you can get. That is the type of man who should control it. The idea being that they should declare policy and allocate funds as it goes along. That is the principle.

By Mr. Wright:

Q. They would have to have supervision over the provincial body so that they could limit the amount for certain provincial bodies who were tending to spend too much or more in proportion to others?—A. They would have to show the need.

By Mr. Mutch:

Q. Would you care, Mr. Herwig, to amend that first recommendation:

That the general control of the canteen funds remain in the hands of a central board.

—A. I do not think I would. You mean a provincial, representative of the provincial government?

Q. Coming from the part of Canada that I do, I am very anxious about this. I know something of the sheer weight of numbers.

By Mr. Marshall:

Q. How do you suggest the provincial bodies be set up?—A. Well, I think the central control should remain in the hands of, shall we say, the people of the services. I think the permanent force service should have some of it because if the regiments and the organizations continue they will probably want to maintain some fund.

By Mr. Cruickshank:

Q. What do you mean by men from the services? You do not mean from the permanent force, do you?—A. No. I think the permanent force naturally should have some say in this matter because they will continue, and unless they are to have separate funds entirely they have to have some say.

Q. You mean the Army, the Navy, and the Air Force should be represented, but not by the permanent officials?—A. The permanent force officers.

Q. You would have them in this central fund?—A. They would have to have some say. In each province there would be ex-service men of all classes, and it would be necessary to select honourable men from among those people. They would not have to be officers necessarily—rankers too.

Q. I do not mean officers—I do not care whether it is a private or a colonel—you do not mean that they would be from the permanent force?—A. You mean would the permanent force officers have control of the fund?

Q. Would they?—A. No, I do not mean that, if you are thinking of the officers of the general staff and that sort of thing.

Q. Yes.—A. No, I do not think they should have control of it; but I say the serving soldier should have some say, because when the war is over the canteen profits will still be coming into the fund.

By Mr. Isnor:

Q. You apparently spent some considerable time in analyzing the British Army Canteens—the operations of the British United Services Fund; what did you have in mind particularly when you were considering this matter?—A. The manner in which they disposed and administered their funds. I thought that would interest this committee—the set-up. For instance, the arrangement between the United Services Fund and the British Legion is an interesting one from our point of view; they administer these funds jointly.

Q. At the same time you analyzed the work that has been carried on during the past twenty-five years by a similar organization in Canada?—A. Well, we have not been able to analyze it from a dominion point of view, representing the dominion command here, and we have no direct administration with regard to the administration of canteen funds, because all we do is send a few cases to them. We have no knowledge of their administration.

Q. Why not? There is a report available from every province?—A. The report that was submitted in the departmental papers—a few statements—do not give us very much information.

Q. There is a file that I have in front of me about 15 inches high which contains a lot of information?—A. Do you mean did we investigate?

Q. Did you spend the same amount of time?—A. No, we did not conduct a general investigation into canteen fund operations in Canada.

Q. I think that would prove very valuable information to you in making a report such as this, and also with regard to your findings in connection with the work being carried on by this committee; in other words, a similar report to the one you gave in connection with the British United Services Fund. You could have done the same thing and made a comparison?—A. It would take time to compile a report of that kind. I thought all that information was already given to you.

By Mr. Cruickshank:

Q. You state on page 5 that it is the desire of the Navy and the Air Force to maintain their benevolent funds. I take it from your brief that you are not particularly in favour of that?—A. No, I would not say we are not in favour of it, because we have no experience in Canada as to the manner in which it is being carried on.

Q. Do not you think the Navy is in a little different category? They have been building up their funds since 1910, I understand. As I understand it, their practice has been more or less modelled on the British Navy practice, and it seems to me that the Navy is in a different category from the Army?—A. We were not suggesting that should be disturbed at all. Our point in making this presentation is to show that if a canteen fund is to be established then it should be a substantial fund, but we do not want to disturb any other funds, in instances where they are doing good work. We should not do that, I do not think.

By Mr. McLean:

Q. What is the general opinion of the dominion command in connection with canteen funds on this point: do you think it is advisable that those funds should be spent as they are accumulated on the men serving now as far as possible or do you think it is wise to try to accumulate a fund; and if a large fund is accumulated how do you think it should be expended; should it be expended on something like relief or on chaps who are in economic difficulties and need help for the doctor's bills and clothing and food, or should it be ear-marked definitely for something like education of soldiers' children? Have you any definite idea as to how that money should be spent? Now, should it be spent on the men who are serving, and if there is a fund accumulated what should be done with it in a general way?—A. Well, in answer to that sir, I think first of all any money that is accumulated in that way—there is a responsibility on someone and I think that really rests upon the individuals themselves. While in a sense it is their money, I would think they would all want it spent in a manner which would do the most good. If that is the case who is going to decide, if it is to be spent immediately, how it shall be disbursed. That is the nub of the whole thing.

Q. I was wondering whether the Legion had decided definitely what this money should be spent on. Personally, I am wondering whether the Legion have a clear-cut idea on what ought to be done with this money. There is no use building up a big organization where a great deal is going to be spent on organization. Is it advisable to have a big organization at public expense to look after that money? I was wondering whether the Legion had thought it through and had some concrete ideas to give us on what they thought ought to be done with these funds?—A. No, I would not say we have thought that out as to what recommendation we are prepared to make.

Q. As far as I am concerned, as one member, it would be very helpful if we had a concrete idea as to really what ought to be done with these funds, whether they are to be accumulated, and if so, just what ought to be done with them?

The CHAIRMAN: I notice, Mr. Herwig, in your report on page 7 you list the schemes operated jointly by the United Services Fund and the British Legion?

The WITNESS: Yes.

The CHAIRMAN: Do you suggest that similar schemes should be operated in Canada through the canteen funds?

The WITNESS: Mr. McLean's question had to do with whether anything should be done with the funds overseas, and I would like to answer that now in this way. If it is intended to spend the money on relief then all the administration would have to occur on this side, because nearly all the relief among the

men who are serving, would naturally be among their dependents. If you want to provide for the men you can do it by providing comforts for them and the serving soldier is glad to have any comforts he can get. If it is for his dependents, they are all on this side. I am speaking about the men overseas, of course. In that case the canteen funds would fall into the line of relief funds, whereas if they were spent overseas they would not be relief funds.

By Mr. Cruickshank:

Q. What do you mean by spent overseas?—A. If funds are accumulated over there they would be spent on the soldiers; they can buy all sorts of things.

Mr. Mutch: Unfortunately at the present time it is almost impossible to spend what they get. I am one of those who do not like the idea of accumulating a large fund; this money, when you get it, is in the nature of a trust fund, and nobody is worrying about the disposition of it except the people who own it. My own idea is that the money should be spent as far as possible on the men who provide the funds, while those men are actually in service. When they get overseas I fancy that the accumulation will go farther; you cannot spend the money in the way it can be spent here on the men at the present time—they simply cannot get the things. The things are not there to buy. Under those circumstances, I am of the opinion that a large part of the accumulation will be from the men who have served abroad. I do not like the idea of taxing the man who is presently overseas for his own relief or the relief of his dependents after the war. If there is any way of spending the money on him now I think it should be spent. I notice in your representation that you say, quite safely, that it would be nice to spend it on the boys now, and I wish you would make up your mind; I wish the Legion would make up its mind whether it is in favour or against this sort of thing—A. Is not that to some extent contingent upon what can be done with it. You say that it cannot be spent overseas, therefore you have to accumulate it.

Q. I appreciate the difficulty overseas, and I furthermore appreciate the difficulties that will come if we have a large sum of money which has been largely accumulated abroad and we continue to have 30,000 or 40,000 people contributing to the fund at home and getting the benefit of it and never getting away from here. Then you start to spread the accumulation of what has been acquired overseas over the whole outfit in the form of relief. I do not like it.

Mr. McLEAN: I would like to endorse Mr. Mutch's view. Frankly, I am a little disappointed, from my own point of view, that the Legion which has given such valuable advice to various committees, has not been able to give us an expression of opinion on this whole question of canteen funds along the lines indicated, because I know there may be a lot of trouble in connection with that later. I think the Legion should very carefully consider the whole question and let us know now just what they think about the accumulation of funds and tell us where these funds ought to go in their opinion. I think it would be very useful for us to have that opinion from the Legion now before the committee makes its report.

The WITNESS: Probably in our report here we have not made that point as clear as we might have. I agree that as much money as possible should be spent and well spent now on the service soldier, naturally.

Mr. Mutch: It is their money.

The WITNESS: Having established that, it would still seem that there would be a very substantial sum left over and, if so, the recommendations that we make will come into play.

The CHAIRMAN: What are the recommendations you make?

The WITNESS: That a consolidated fund be established for the United Services Fund and have it invested in the way we suggest.

Mr. McLEAN: You still do not tell us what you think that money ought to be spent on. There is nothing definite about it, but that is really one of the main points that this committee needs to consider in order to make a report.

The WITNESS: I say I feel the Legion feels that generally the schemes that have already been operating are satisfactory; in other words, the money should be for relieving ex-service men, and that should be limited to certain things. If the fund is a large one naturally you can do more with it than you can if the fund is a small one.

Mr. McLEAN: You say the Legion thinks the fund should be administered for relief?

The WITNESS: I should qualify the word "relief".

Mr. McLEAN: I shall be greatly disappointed if the idea is held that money of this type is going to have to be spent in ways that the fund had to be spent before, that is, to feed children who did not have enough food and to clothe children who were not able to buy clothing. I hope we can get away from that.

The WITNESS: I agree with you.

Mr. McLEAN: I hope a fund of this kind will not have to be used for that purpose, and I should like to know what the Legion thinks.

The WITNESS: From that point of view, that will have to be left a little while longer until after we know what the conditions are going to be like when the war is over. If there is a starving child or a starving family they will have to get money somewhere and very frequently they would have to get it from the canteen funds. If that condition is going to exist again then we would like to know that we have a fund that could render assistance like that. If conditions are going to change and we are going to have no more of this malnutrition and that sort of thing going on again, then I think we will have to review the whole question in the light of conditions after the war.

Mr. MUTCH: Have the Legion considered the possibility or desirability of keeping the funds which are accumulated overseas separate from those which are accumulated in Canada?

The WITNESS: I do not think so.

Mr. MUTCH: Following that up, have they considered the proposition of taking those moneys which are accumulated overseas, in accordance with my idea that that is where the main accumulation will come from, and distributing that money at the end of the war on a pro rata basis to overseas men as a straight bonus?

The WITNESS: That was a suggestion which was made in connection with our present canteen fund.

Mr. MUTCH: Unfortunately, it was not followed.

The WITNESS: It was not accepted. I believe it would have boiled down to about \$2 or \$3 per person. I think the canteen funds have done an awful lot of good.

Mr. MUTCH: Don't you think that the agencies which might properly have been expected to look after those people sheltered behind the fact that there was a canteen fund?

The WITNESS: No, I would not say that. I think our experience would be this that we always try to get the assistance that may be available. I think the agencies we go to try to do their job—the municipalities and the governmental authorities.

Mr. MUTCH: I am not thinking of any charitable organization. As a matter of fact, I am not expressing my own opinions at the moment. I am asking questions arising out of previous discussions to see if you people have been discussing these matters and are prepared to make recommendations?

The WITNESS: I think we are like everybody else, we do not know what the conditions are going to be after this war, and we hope there will be certain things done; but if they are not done then your canteen fund will be a great blessing.

Mr. MUTCH: You are skeptical about whether people have learned anything since the last war.

The CHAIRMAN: He did not say that.

Mr. CRUICKSHANK: I think the witness is very fair on that point. We all sincerely hope that the conditions are not going to be the same as after the last war but not one of us can guarantee that they are not going to be the same. As the witness suggested, we can review the matter—if we have this Utopia that we hear about, we can review it.

Mr. MUTCH: And decide what to do with the money when we have it.

Mr. CRUICKSHANK: I do not care what conditions are like today. Employment has never been better than it is today in the history of Canada, yet I would suggest that the Legion has distress cases in the city of Ottawa today. You are always going to have them. I think the witness has been fair. If the different agencies are under the charge of the state and if social legislation such as we think we should have is brought in we can review it.

By Mr. Wright:

Q. In other words, your recommendations are based on conditions which have existed?—A. Right.

Q. And you cannot say whether we as a parliament or as a government are going to remedy those conditions or not and you must make your recommendations based on your experiences in the past?—A. On our experience.

Q. Now, we are hoping that those conditions will not exist again, but after all it is not the Legion that is going to stop those conditions from recurring, it is the people in parliament who will stop them, and we are the only people.

Mr. CRUICKSHANK: We may not be here.

Mr. WRIGHT: We may not be here, but somebody else will be here in our place whose duty it will be to see that such conditions stop. I think the Legion have made a very fair representation in view of the conditions which have existed during the past number of years. There is one question I would like to ask with regard to recommendations 8 and 9. Which of those would you suggest should be adopted. No. 8 reads:—

That regimental canteens be made subject to the same supervision and control as auxiliary service canteens and that all surpluses be turned into the general fund.

A. Well, that has to do with the spending of the money now. The fund should be supervised properly if the money is going to be spent now.

Mr. MUTCH: Have you any suggestions to make respecting that?

By Mr. Wright:

Q. You are not suggesting that the money should be spent now? That is what I take from the recommendations, that perhaps you would suggest that it should not be spent now?—A. No, I am not suggesting it should not be spent now. I think overseas it would be largely a matter for the men themselves to decide until they are through with the army organization. Whether they can solve the question better than we can I do not know; I doubt it.

Q. I have somewhat the same opinion as Captain Mutch, that these funds wherever possible should be spent now rather than accumulated. I took it from reading that part of your brief that, perhaps, you did not agree with that?—A. Oh, no, I am not saying that at all.

Mr. Ross (*Souris*): I thought the presentation was very fair, based upon past experience. However, I do not agree that we should tackle these problems with our minds entirely on the past. I think we would have a most hopeless situation with regard to our whole war effort if we were basing everything on what happened in the past. We are satisfied that it is going to be the problem of the government to take care of these people and their dependents, to see that they are provided with an opportunity of taking care of themselves. Certainly we should not be called upon to find relief for those people in the future. I am not agreeable to spending these funds as fast as we can. I think, judging from the evidence we have had, that probably the greatest good that could be done with that money would be to use some of it for education—helping to educate orphan children, or to assist in the education of children when the father has been taken. Probably it will be the duty of the state to take care of them, but we should have a fund to take care of the dependents of those men in many ways. I think we should base some of our thought and some of our recommendations on the fact that the state is going to be responsible for relief and for, at least, the sustenance of life of these people in the future. We are not going to go back to the same set-up as existed after the last war. I think that may be taken for granted. I think the public will realize that these services have to be given. Now, with regard to section 9, what is your opinion as to the present supervision of the canteen funds and so on?

The WITNESS: I think we will have to say that we do not know anything about it; we do not know how regimental funds are being administered.

By Mr. Mutch:

Q. No. 9 reads: "Alternatively, that there be close supervision of the application of regimental canteen profits and that all surpluses at the termination of the war be turned into the general fund."—A. That is based on experience in the past, presuming there is no change; there may be a change.

Q. We have had evidence before this committee as to the present method of supervision, and I, like Mr. Ross, am anxious to know if the Legion thinks the present supervision is not adequate, because it certainly is implied in that?—A. No, we make that as a recommendation, that it should be done if it is not being done. There are no implications of any kind.

The CHAIRMAN: May I suggest that instead of the members of the committee presenting their views at this time that they confine their remarks to asking the witness questions and getting his views, and then at a later date the members of the committee can express their views.

Mr. McLEAN: I think in fairness to members of the committee that any expression of views that has been made was made with the object of drawing out the witness and getting the opinion of the Legion.

The CHAIRMAN: To a great extent that is right, but often we find that members of the committee do make long statements of their views on some particular subject, and I merely mention the matter so as to expedite the proceedings in the committee and not to stifle discussion in any way.

Mr. ISNOR: Mr. Chairman, I wonder if the witness would consider dealing to some extent with page 4 in which he states:—

We are aware that there are two schools of thought respecting the disposal of funds of this nature. One urges that the funds should all be utilized, as they become available, for the immediate benefit of the men in the services. The other view is that a very substantial fund should be created to assist ex-service men in post war years, who cannot receive aid from any other source.

I read over the nine recommendations and they are all constructive and definite, but you will leave us in the air in so far as your definite opinion is conceded with respect to the disposal of these funds?

The WITNESS: I think, sir, that is because we ourselves are somewhat in the air about the matter. After all, we have had the experience of seeing soldiers who have accumulated funds ourselves, and we have also had the experience of what can be done with the canteen funds.

Mr. ISNOR: Would the witness be prepared to give that matter further thought and make a recommendation of a more definite character later after he has read the minutes of evidence of our meetings. I think that will be very helpful to the committee—to have a definite view from the Legion with respect to the disposal of the funds.

The CHAIRMAN: I think, Mr. Isnor and gentlemen, that the witness has been very fair.

Mr. ISNOR: Absolutely.

The CHAIRMAN: He has stated that the Legion has not come to any definite view as to how these moneys will be spent; that circumstances in the future may guide their decision along that line. He has been frank in that respect, and I am sure, Mr. Herwig, that if you have further suggestions to make you will be good enough to present them to the committee.

The WITNESS: Yes, I certainly will.

By Mr. Marshall:

Q. Mr. Herwig stated a moment or two ago that he has no knowledge with respect to present operations as regards the administration of regimental canteen funds?—A. No, I have no direct knowledge of it.

Q. Have you read the evidence which has been submitted to this committee from time to time?—A. I have endeavoured to keep in touch, but I have not been through it all.

Q. Do you not think, Mr. Herwig, that Colonel de Lalanne who gave evidence on April 30, and again on May 5—do you not think that the set-up which he described is not a satisfactory one and that it is being taken care of in a satisfactory manner?—A. I say this, that had we been able to go through this evidence—this was occurring during the time that we were preparing for our convention or when we were holding our convention, and we did not have time to go through all this material. I am not familiar with what Colonel de Lalanne said in respect to regimental funds, but I would certainly imagine that we are not making this recommendation in any critical sense: we are saying that conditions should not be as they were in the last war. If there is proper control that meets our recommendation and is satisfactory.

Q. I would suggest that you read the evidence given by Colonel de Lalanne and give us your views upon it, because he has outlined very carefully the present set-up as to the regimental funds board. There is a regimental funds board set up and they are administering the funds, or rather checking the accounts of the various canteens throughout the dominion and putting the money into a consolidated revenue fund?—A. Sir, I think our recommendation really had to do with the funds as they stood after the war and not while the war is in progress. That is all we had information about—what happened to the regimental funds after the war, and their administration.

Q. I know, but I understood you to say that you do not know how the canteens are being supervised or how the board is operating at the present time; am I wrong in that?—A. You are quite right; I am not familiar with that.

Q. There is a further question I would like to ask this witness. There has been some discussion in this committee with respect to educational programs

that might be financed by means of these funds after the war. I notice on page 6 that in all of these schemes which are being operated under the British scheme: Scheme A (Temporary Need); Scheme B (Chronic Sickness); Scheme C (Surgical Appliances); Scheme D (Special Medical and Convalescent Treatment); Scheme E (After-care of children); they make no reference whatever with respect to an educational scheme. What is the view of the Legion with respect to a scheme of that sort?—A. Well, naturally, if there is a need for education that should be provided for if possible, but perhaps this also answers some other questions about the canteen funds: The condition of affairs after the war would have a great bearing upon what would happen to those funds—whether there is sufficient money in the canteen fund? If there is sufficient money in the canteen fund to undertake schemes in addition to taking care of the more necessary needs then certainly why not; there is no reason to say it should not be done. If you look through these British Legion schemes you will find there is education and all sorts of things. I understand that as their money diminishes they have to drop some schemes. These are schemes they have operated for some time; but if the money diminishes—as a matter of fact, they have planned for its finishing in 1948—that £2,000,000—and naturally some schemes will have to be dropped. Which schemes they will continue to carry on will be left to the decision of those who have charge of the policy. Naturally, if the fund is large enough to deal with education and some of these other schemes, why not; there is no reason why it should not be done.

By Mr. Wright:

Q. It states in here that there is an educational scheme connected with the fund in the Old Country?—A. Oh, yes.

Q. Schemes wholly administered by the United Services Fund; £20,297 was expended on 3,155 cases and were dealt with under an educational scheme?—A. Now, sir, I could leave with the committee the report of the British Legion which gives a little more information about that set-up. I think I have also a copy of the Royal Air Force benevolent fund of 1934 which also gives a great deal of information as to how that fund is administered. There is a Royal Navy benevolent fund but we have not any information with regard to that.

The CHAIRMAN: We have a witness here in connection with the Royal Canadian Air Force benevolent fund; he may have some information. If you will be good enough to leave the other report to which you have referred—that is the 19th report of the Royal Canadian Air Force benevolent fund—

The WITNESS: That is the annual report of the British Legion.

The CHAIRMAN: And the annual report and accounts of the British Legion.

The WITNESS: It deals with the United Services Fund as well.

The CHAIRMAN: We will file both these reports with the clerk of the committee and they will be available to any member of the committee. Thank you, Mr. Herwig. I am sure your evidence will be very helpful to the committee, and if you have any further suggestions the committee will be pleased to receive them.

The WITNESS: Thank you.

The witness retired.

The CHAIRMAN: I shall ask Mr. Blanchette, the vice-chairman, to take the chair.

The VICE-CHAIRMAN: Our next witness is Mr. H. G. Norman of the Department of National Defence for Air.

Mr. H. G. NORMAN, called.

The WITNESS: Mr. Chairman, I have prepared a written statement which I think it will be best for me to read to the committee. I am sorry I have not sufficient copies to go around.

In presenting the data in relation to the R.C.A.F. benevolent fund I would state that in January 1942, the Chief of the Air Staff appointed a committee, of which I was chairman, to make a survey of the fund and its activities and to make recommendations as a result thereof:—

HISTORY OF THE R.C.A.F. BENEVOLENT FUND, ITS CONSTITUTION AND FUNCTIONS

The funds came into being in 1934 by virtue of a memorandum issued by the Senior Air Officer to commemorate the work of Canadians in the Royal Naval Air Services, Royal Flying Corps and Royal Air Force during the war 1914-18. The fund was to be used for the assistance primarily of those disabled in the air and the dependents of those killed while flying; also for assistance in other casualties, disability, sickness and general distress.

As moneys accumulated from various sources and the value of a benevolent fund as a means of relieving distress among Air Force personnel became more apparent, it was thought a formal trust agreement should be drafted to provide more fully the objects of the fund, trustees, etc.

The fund at this point had no limitations as to the amounts to be disbursed but apparently permitted both capital and income to be disbursed at the discretion of the committee as then formed, comprising four senior officers of the Force.

A trust agreement dated March 10, 1937, was executed between the committee then administering the fund and the Senior Air Officer of the R.C.A.F. acting on his own behalf and on behalf of all ranks. The sum of \$8,292.46 being the assets of the funds, were transferred to three trustees named on certain trusts which briefly were to create a trust fund to be invested in authorized securities, the income to be available for the purpose of affording financial help to members and ex-members of the R.C.A.F. and/or their dependents in need of such assistance. This agreement apparently visualized a fund in keeping with the strength of the force as it then existed which was a permanent force. Any vacancy in the trustees was to be filled by appointment in writing by the Senior Air Officer.

A.F.A.O. A.20/25 issued by the Chief of the Air Staff on 31st October, 1941, sets out the origin of the fund, its sources of revenue, those eligible for assistance, the forms of applications for grants and loans, the methods of investigation of same, accounts and audit, and generally the machinery for the management of the fund (appendix "A").

The trustees have been functioning in an informal manner guided by the trust agreement dated March 10, 1937, supplemented by A.F.A.O. A.20/25.

Since the inception of the trust agreement there has been received up to April 30, 1942, a total capital of \$109,102.85 which may be briefly stated as follows:—

Voluntary contributions of 1 per cent of gross monthly sales in messes and canteens.....	\$77,416.11
Donations by individuals and commercial organizations	\$22,214.24
Proceeds from sports events and other organized entertainments	\$ 9,472.50

The total of these moneys together with the \$8,292.46 originally turned over shows an aggregate capital in the fund at April 30, 1942, of \$117,395.31.

The cash income of the fund from its inception to 30th April, 1942, is \$3,837.41. Loans and grants made total \$4,320.82 which, after deducting repayments on account of the loans, \$1,962.81, leaves the balance of income available at the above date for further disbursement of \$1,479.40.

Loans repayable at April 30, 1942, amounted to \$1,413.19, which added to the balance of \$1,479.40, showed a balance in the income account of \$2,892.59 at that date.

The fund was recently registered under the War Charities Act with the resulting entitlement to tax exemption on gifts, but with the understanding that a public appeal for funds will not be made without permission from the War Charities Board.

There are many other possible sources of revenue, such as proceeds from Navy, Army and Air Force institutes representing monies accruing from canteens and other sources in respect of R.C.A.F. units and personnel serving overseas, a larger share of canteen profits, and the voluntary contribution by R.C.A.F. personnel attached to R.A.F. units to R.A.F. benevolent fund. It is suggested that a source of capital receipt might be the proceeds from the disposal of the property of canteens and/or messes, which is disposed of under the direction of the Minister, on the abandonment of a station.

Should a Dominion organization be set up for the purpose of managing and directing the affairs of the fund, as presently proposed, it is evident that such being represented by prominent men in all provinces, funds will automatically flow into the fund through connections which they would have and might create.

I am informed that "Wings for Britain", of its own volition, has been raising funds for both the R.A.F. and R.C.A.F. benevolent funds and a sum in excess of \$20,000 has been received through this source as well as \$5,000 from Warner Bros. in connection with the film "Captain of the Clouds". These have been received since May 1, 1942.

R.A.F. BENEVOLENT FUND

At this point I would like to call the committee's attention to the constitution, functions and financial position of the R.A.F. benevolent fund.

The R.A.F. benevolent fund was founded in October, 1919, and was registered under the provisions of section 1 of the War Charities Act 1916.

The R.A.F. benevolent fund plays a necessary and vital role in the life of the R.A.F. The fund tries, in some measure, to take the place of the man who is killed, to care for his widow, and to educate his children and so help them into the careers which their father had looked forward to see them follow. The majority of the pilots, crews and men of the Royal Air Force are young. A good many of them marry young, and if they are killed or disabled they may leave a wife and children to be helped over a very long period.

The aims and objects of the R.A.F. benevolent fund are two-fold; firstly, to assist in maintaining the dependents of officers and airmen, who become casualties, in some semblance of the life to which the serving member would have been able to provide if he had lived, and to help children into careers that their fathers might reasonably have expected them to follow; secondly, to assist serving or ex-officers and airmen, or their families, over any of the particular financial emergencies which arise during the course of a lifetime.

There are only two qualifications necessary to render a person eligible for assistance:—

1. That the assistance is required (the distress in which ex-service men or their families find themselves need not be a direct result of service).
2. That the person who claims assistance, or on whose behalf relatives or dependents claim assistance, must have been a member of the R.A.F. Neither the period of service, no matter how short, nor the reason for discharge precludes the rendering of assistance.

The fund is controlled by a council of prominent individuals who lay down the wider fields of the policy of the fund and its administration has been vested in a finance committee, which decides upon all matters of finance as well as the general direction and policy for two additional committees known as the appeals committee, for the purpose of raising funds, and the grants committee, for the purpose of passing upon all grants.

Many hundreds of thousands of donations have been received from grateful members of the United Kingdom and the empire, including a magnificent gift of £250,000.0.0 from the Right Honourable Viscount Nuffield. Serving officers, airmen and airwomen voluntarily subscribe one-half-day's pay per year which amounted to £39,437.14.7 in 1941. At December 31, 1939, the total assets of the fund were approximately £287,000.0.0 which had increased at December 31, 1941, to approximately £1,517,000.0.0. In 1941 subscriptions and donations from the public amounted to £728,138.7.3.

The officers of the fund are furnished by the Air Ministry with casualty lists and thereupon a representative calls upon the next-of-kin expressing regrets and enquiring if any assistance, however unlikely the need of assistance may appear to be, is needed. The representative, if he finds immediate hardship is being caused has authority to issue a cheque without any formalities whatever up to and including the sum of \$50. It has been found that this action in many cases where the dependents are not in any need of financial help has resulted in the next-of-kin being so impressed with the immediate offer of assistance that they themselves have sent considerable donations for the benefit of others not in such fortunate financial circumstances. The representative of the fund is supplied with "application for assistance" forms and should a continuing grant be required and supported by the investigating representative, the grants committee dispose of the application at its next meeting.

Grants are made covering many phases but generally speaking they fall into two classifications:—

- a. Immediate need such as pressing debts, removal of location of residence, sudden illness, etc.
- b. Steadily recurring grants such as education of children and general family maintenance.

It should be pointed out here that the personnel of the R.C.A.F. attached to the R.A.F. are not entitled to any benefits from the R.A.F. benevolent fund.

From the standpoint of education the R.C.A.F. benevolent fund would not have the same problem as the R.A.F. benevolent fund, having in mind the difference in the basic educational facilities of this country, but at the time when the children, of those disabled or killed, in Canada reach the age of graduating from high school the problem becomes identical since there is no governmental agency which provides for higher education for the children of the deceased members of the forces.

A survey of the various reports of the committee on demobilization has been made and it would indicate that the objects for which the R.C.A.F. benevolent fund has been created and to which it proposed to devote its efforts, do not and will not either conflict with nor overlap the activities of the committee on demobilization but would be supplementary thereto.

It is felt that the form of the trust agreement under which the R.C.A.F. benevolent fund is operating is not a satisfactory vehicle for the operation of such a fund, particularly having in mind that the trustees are limited to the expenditure of interest from the fund and the principal accrues, presumably in perpetuity. The fund presently consists to a great extent of contributions made by service personnel, both officers and airmen, through voluntary contributions received from the canteens and messes and it would seem desirable that should the necessity for the use of these funds arise in connection with the relief

of financial distress amongst members and ex-members of the R.C.A.F. and their dependents that such funds should be available.

It appears desirable that the R.C.A.F. benevolent fund should be incorporated by Act of Parliament and should be under the control of a board of trustees, eleven in all, comprising one civilian from each province of Canada and two service representatives and that this board should be responsible for the general policy of the fund and that it should delegate an executive or management committee of five persons, comprising three civilians and two service members, to carry out the policies laid down by it.

The accounts of the fund should be audited annually by a firm of chartered accountants, whose report should be a public document.

The objects of the fund, which would be set out in the application for a charter, could well be those of the R.A.F. benevolent fund, namely, for the relief of distress among all ranks of the Royal Canadian Air Force, past and present, and their dependents, and the fund must, therefore, be prepared to help:—

- (a) Those disabled flying and the dependents of those killed.
- (b) Other casualties and their dependents.
- (c) Suffers on account of sickness and general distress.

The existence of such a fund and its use for the purposes for which it is created would undoubtedly encourage and promote esprit-de-corps and well-being in the service and the control of the funds and their management being under the control of prominent civilians throughout the Dominion would ensure its continuity, sound administration and impartial application to both the temporary and permanent services.

The fund, apart from any other fund or aid that may be instituted by the government, can in some measure endeavour to take the place of the man who is killed, to care for his widow, to educate his children and help them in the careers which their father had looked forward to see them follow; and should not in any way overlap in the aid that is presently being provided by governmental bodies but is purely in the nature of supplementary assistance and relief in urgent and necessitous cases.

The WITNESS: I think that gives you a general idea of what the benevolent fund is and how it was created.

By Mr. Marshall:

Q. Is the witness prepared to make any comment on the recommendation which has been made by the committee that there should be one central fund and that this benevolent fund which is being set up by the Air Force should form part of that fund?—A. I am prepared to make this comment that I think the individual services have individual problems, and I think that the funds they are creating in those individual services should be available to the men that are creating them and should be merged into a whole.

By Mr. Mutch:

Q. In respect to that answer that individual services have individual problems, would you contend that in the post-discharge period there is any difference in the problems of the different services?—A. Yes, I would say yes, in answer to that. I think you will find, sir, that in the Royal Canadian Air Force you will have a much greater number of younger men, far younger men, than you will have, I think, in proportion in the army.

Q. I wish that were the most serious thing we are likely to have. Don't you think there is a possibility of creating a form of—oh, I do not know, I am trying to be careful—shall I say service consciousness—it is worse than that—there are signs of it at the present time—offensive to democracy; don't

you think there is a danger of that being perpetuated?—A. No, I do not think so, sir. The answer to that, I think, is that they do not have that feeling in England. They have set up a very large fund there. I think they must have taken that into consideration.

By Mr. Marshall:

Q. Of course, I think one of the reasons, perhaps, for the misunderstanding with respect to the benevolent funds is simply this, that the army is building no benevolent fund; as far as I am aware they have no benevolent fund. The navy has no benevolent fund; it is only a welfare fund. The only fund that is in existence that might be termed a benevolent fund is this Air Force fund. I would like to ask the witness one or two questions. You say that the fund now amounts to around \$117,000?—A. At the 31st May, sir, the total assets of the fund were \$154,000 in the capital account.

Q. Of course, I was taking your figures for the 30th April, 1942, at \$117,000. You say it is \$152,000?—A. It is \$154,000 at May 31st.

Q. How are those funds invested at the present time?—A. We have approximately \$54,000 in the bank, we have \$93,500 in government bonds, government guaranteed bonds, Canadian National Railways, \$4,159.87 invested in bonds of the Capital Trust Corporation Limited and \$3,100 invested in the Toronto General Trust Corporation Limited. I would like to add to that, sir, that since the trustees were created under the present deed we have invested the money solely in government bonds.

Q. Who are the present trustees of the fund?—A. The present trustees of the fund are the Air Member for Personnel, Air Commodore Sully, Air Member for Organization, Air Commodore Cowley, and the Air Member for Accounts and Finance, Air Commodore Nairn.

Q. Are there any representatives of the men on this board of trustees?—A. The trust deed calls for three trustees who are named by the Senior Air Officer, and he has the right of appointment.

Q. The appointment of the trustees—the appointment of these trustees lies in the hands of one individual?—A. At the present time.

Q. Do you think that is wise?—A. No, in my recommendation, Mr. Chairman, I have suggested that an Act of Parliament be created under which there will be a much broader trusteeship of representatives from all the provinces of the Dominion and not merely a control by the Service.

Q. I think you said there should be eleven?—A. Yes, eleven trustees, nine civilians and two service men.

Q. Now, who bears the administration costs of this fund?—A. At the moment there are no administration costs; whatever work is involved is done by members of the Royal Canadian Air Force.

Q. Have you any information as to why this sum of money, around \$10,000, is invested in two trust companies?—A. No, sir, I have not. As a matter of fact, I might say that these are gradually disappearing. There are two of them falling due in 1943, one fell due in 1942 and was paid, and as they fall due the money will be reinvested in government bonds, to the best of my knowledge.

Q. Have you any regulation with respect to that?—A. There is none whatever, sir.

Q. The trustees can invest that money as they please?—A. I will read the terms of the trust deed—

Q. Read the terms with respect to the investment of securities?—A. "To invest the fund in such securities as are authorized by law for the investment of trust funds."

Q. And you say you have a recommendation that they be invested only in dominion securities?—A. That is what is being done at the present time, sir.

By Mr. Jackman:

Q. What was the amount of the Capital Trust Corporation?—A. \$4,159.87.

By Mr. Marshall:

Q. What was the other one?—A. Toronto General Trust \$3,100; and there is \$50 in United Grain Growers Limited common stock.

By Mr. Wright:

Q. This fund is built up entirely in Canada, is it?—A. Yes, sir, and there are probably some moneys coming to us from the R.A.F. benevolent fund. As I indicated there is a voluntary contribution made by every member in the R.A.F. to the R.A.F. fund. Those of the R.C.A.F. who are attached to the R.A.F. make that same contribution, and at the present time there is an understanding that that money will flow back to the R.C.A.F.

By Mr. Emmerson:

Q. Those are moneys that have been contributed by the R.C.A.F.; that will be an increasing amount?—A. Oh, yes. Of course, it is not very material in the R.A.F. fund. Out of a total in 1941 of £767,000 collected those contributed by service personnel only amounted to some £39,000.

By Mr. Isnor:

Q. I would like to ask Mr. Norman a question with regard to the personnel or the composition of this board of trustees—is that what you call it?—A. Yes, that is right.

Q. Do you make any representation in your recommendation as to the men?—A. No, I felt and our committee felt that the men's interests would be probably best looked after by civilian representatives and the service representation will be looking after the interests of the service.

Q. Their proportion of contributions, in so far as the 1 per cent is concerned, would amount to, roughly speaking, three or four times the amount of donations at the present time, is that not so? If I recall correctly the figures you used on such and such a date, 1 per cent amounted to \$77,000 whereas the donations amounted to \$22,000?—A. Yes, the donations were materially increased, however, and when they come they come in substantial sums.

Q. I quite appreciate that.—A. But up to the present time there is a considerably greater percentage of receipts from the canteens, the sergeants' messes and the officers' messes.

Q. Yes, but as your force increases in numbers your sales naturally will also increase, therefore, your 1 per cent will show a larger volume?—A. That is very probable, yes.

By Mr. Marshall:

Q. How do you suggest that the civilian representatives on your board of trustees should be appointed?—A. I think they will have to be appointed, sir, by the Minister of National Defence for Air, in the first place, and then they should be in a position of reappointing those who either resign or pass away by appointment by that body.

Q. It would not be possible to have the rank and file of the Air Force make some recommendation with regard to those who serve on that board?—A. I think it would be a little difficult to go to the rank and file of the units of the Royal Canadian Air Force and ask who shall be their representative from the province of Alberta. You would practically have to have a vote from everybody from Alberta who is in the Royal Canadian Air Force; it would be impossible.

By Mr. Isnor:

Q. I do not know whether this question is in order, but I was wondering—it has a direct bearing on the receipts of your benevolent fund—was there any agreement entered into with the Warner Bros. Corporation in respect of the rights of making and releasing the picture *Captain of the Clouds*?—A. I have no knowledge of that whatever, sir. That information could be obtained for you. To the best of my knowledge and belief I understand there was no positive arrangement made at all, but there was an understanding that we should receive into the fund a substantial fund.

Q. You mentioned the amount of \$5,000?—A. Yes.

Q. Well, of course, I do not wish to be critical—we appreciate even \$5,000—but in view of the box office receipts of that picture that amount hardly does Warner Bros. justice?—A. As I say, I know nothing about what the definite arrangement was.

Q. Perhaps they will read this and send another \$50,000.—A. I think you will also have to bear in mind that the purpose of taking that film, which was taken before the United States went into the war—had a great deal to do with the publicity which Canada needed; it was not with a view to raising money.

Mr. ISNOR: Before the witness leaves, I think as a committee we should express our appreciation for the very clear, concise and concrete manner in which this brief has been presented to us. The witness has not gone out of his way to add a lot of material that we did not need, but he has given us very useful information which we can use in the future.

Mr. McLEAN: I should like to endorse what Mr. Isnor has said, heartily indeed.

The VICE-CHAIRMAN: Mr. Norman, you have given the committee information which will be of great use to us in making our report, and we thank you.

At our next meeting, gentlemen, which will be on Tuesday, we will have before us bill No. 5. The clerk will see that you have copies together with certain literature and data.

The committee adjourned to meet Tuesday, June 23.

APPENDIX "A"

AIR FORCE ADMINISTRATIVE ORDER

FINANCE, PAY AND CLAIMS

THE ROYAL CANADIAN AIR FORCE BENEVOLENT FUND

Introduction—

1. The Royal Canadian Air Force Benevolent Fund was established 14th July, 1934, to commemorate the work of Canadians in the flying services (Royal Naval Air Service, Royal Flying Corps and Royal Air Force) during the War 1914-1918. The general purpose of the Fund was to relieve distress among personnel of the Royal Canadian Air Force, both past and present, and their dependents. The Fund was clothed with legal status on the 16th day of March, 1937, by Articles of Agreement, when it was formed as a Trust Fund, distinct from the Service, and three officers were appointed as the first Trustees.

2. The Trustees appointed to administer the Royal Canadian Air Force Benevolent Fund were made responsible for disbursements of the revenue obtained as interest from the Fund's investments, in so far as it was possible to alleviate any financial distress among those who had a claim on the charity of the Service within the means available. They were also charged with the investigation of possible sources of revenue which would increase the capital value of the Fund to such an extent as to permit it to care for all reasonable claims that might be made.

3. The original amount of the Fund was made up of various funds that were in existence at Air Force Headquarters at that time, but which were no longer active due to changing conditions of the Service.

Capital Revenue—

4. To add to the amount of the original Fund, the following sources of revenue have been approved:—

- (a) Ten per cent of the receipts from all sports events and motion picture shows, after deducting operating expenses and making a reasonable contribution to the capital sinking fund, held at R.C.A.F. stations, or under the auspices of the Royal Canadian Air Force, are to be paid into the Royal Canadian Air Force Benevolent Fund.
- (b) All collections made at divine services held at R.C.A.F. stations, after deducting any items of expense connected therewith, are to be forwarded for the credit of the Royal Canadian Air Force Benevolent Fund.
- (c) The net proceeds of annual air displays (or visitors' day) held at R.C.A.F. stations are to be paid into the Royal Canadian Air Force Benevolent Fund. (Approval for the holding of an air display or a visitors' day is to be obtained from Air Force Headquarters.)
- (d) Subscriptions or contributions may be accepted from friends of the Royal Canadian Air Force, or from commercial organizations. Contributions are not to be solicited from commercial organizations.
- (e) One per cent of the gross sales of all canteens operated by the Royal Canadian Air Force, including those operated in connection with officers and N.C.O.s messes, is to be forwarded monthly for the credit

of the Royal Canadian Air Force Benevolent Fund. In the event that experience dictates this levy is disproportionate, a more commensurate percentage, which will permit a nominal unit or mess profit, may be authorized by Air Force Headquarters.

- (f) The Royal Canadian Air Force share of the profits paid into the Auxiliary Services Fund from canteens operated at R.C.A.F. stations by the various auxiliary organizations is to be paid over periodically to the Royal Canadian Air Force Benevolent Fund.
- (g) Proceeds from Navy, Army, and Air Force institutes, representing moneys accruing from canteens and other sources, in respect of Royal Canadian Air Force units and personnel serving overseas. The basis for the payment of such proceeds to be the same as that approved for the Canadian Active Service Force (Army). In the event that collection of revenue from this source will deprive units of funds necessary for the purchase of recreational equipment or similar purposes, Air Force Headquarters may, if the justification is adequate, authorize this clause to be waived.

5. The above items of revenue are to be forwarded to Air Force Headquarters, payable at par in Ottawa, to the Royal Canadian Air Force Benevolent Fund.

6. All contributions and sources of revenue referred to above, are to be credited to the capital value of the above fund, until it reaches a sum which will permit the Fund to be self-supporting. At that time, the sources of revenue will be reviewed.

Interest Revenue—

7. All interest obtained from the capital value of the Royal Canadian Air Force Benevolent Fund, including the interests on that portion of the interest that may be re-invested, is available for disbursements at the discretion of the Trustees. Any statement of the Fund's value is to distinguish between the capital account and the interest and operating account.

Assistance by the Fund—

8. Candidates eligible for assistance by the Royal Canadian Air Force Benevolent Fund are defined as follows:—

- (a) (i) Officers and airmen of the Royal Canadian Air Force serving overseas, irrespective of their length of service at the time of application.
- (ii) Officers and airmen of the Royal Canadian Air Force serving in Canada, who, at the time of application, had completed six months' unbroken service.
- (b) Ex-officers who, having ceased to be employed prior to the 3rd of September, 1939, had served at least four years with the Permanent Active Royal Canadian Air Force.
- (c) Ex-airmen who, having completed their service prior to the 3rd of September, 1939, had served at least four years with the Permanent Active Royal Canadian Air Force, and who had left the Service with a "good" character.
- (d) Dependents, as defined by Pay and Allowance Regulations, of deceased ex-officers and ex-airmen who would otherwise be eligible under subparas (a), (b) and (c) above, whether or not on pension.

Gifts and Other Benefits—

9. All requests for financial assistance, other than by loans, are to be investigated by the commanding officer of the nearest Royal Canadian Air Force unit or station by personal examination and by reference to any religious or charitable institutions or such organization in the vicinity. The commanding officer will normally delegate this investigation to the chaplains on the station. Applications are to be made out on the form applicable, in accordance with the specimen forms attached as Appendices "A" and "B" to this order. The forms are to be forwarded to the Secretary, Royal Canadian Air Force Benevolent Fund, Air Force Headquarters, via command headquarters, where they will be checked by the command representative of the Benevolent Fund.

10. It must be realized that the funds of the Royal Canadian Air Force Benevolent Fund are strictly limited and it may be necessary to refuse assistance, that would otherwise be granted, for this reason.

11. The funds available for disbursement by the Trustees of the Royal Canadian Air Force Benevolent Fund may be employed as loans to serving personnel. Loans may be made in other special cases within the limits of paragraph 8, at the discretion of the Trustees. All requests for loans are to be investigated by the Commanding officer of the officer or airman concerned, and such requests forwarded to the Trustees of the Royal Canadian Air Force Benevolent Fund are to contain the recommendations of the commanding officer.

12. In the case of proven need, loans up to the amount of \$150 for officers and \$100 for airmen may be made. Only under very exceptional circumstances will favourable consideration be given to loans exceeding the amounts of \$150 and \$100 for officers and airmen respectively. Such loans are to be repaid with interest at 2 per cent per annum, the interest being computed on the total amount and the period of the loan. The gross amount for refund will be made in equal monthly payments over the period of the loan, or the loan may be liquidated at an earlier date than that originally agreed upon, at the option of the borrower. Payments are to be made direct to the Secretary, Royal Canadian Air Force Benevolent Fund, Air Force Headquarters. Such loans are available only in case of severe financial distress, such as might be caused by unexpected sickness within the applicant's own family. ("Family" is not to be interpreted as including the applicant's parents, brothers, or sisters, unless proof is given that the applicant is the sole support of such relatives.) They will not be entertained for any frivolous reasons. In particularly urgent cases, at the discretion of the Trustees, the amount of such loans may be increased.

Accounts—

13. The books of the Royal Canadian Air Force Benevolent Fund are to be kept up-to-date and available for inspection at any time, by the Chief of the Air Staff. Statements therefrom, of the current state of the Fund, will be prepared on request.

Audit—

14. The Royal Canadian Air Force Benevolent Fund is to be audited at the same time that other non-public funds of the Royal Canadian Air Force are brought forward for audit. The audited statement of the Fund and its activities since the last report is to be passed for approval and inclusion in Air Force General and Routine Orders annually, until the interest revenue of the Fund reaches the sum of \$1,000 per year. Thereafter, such a statement

will be prepared quarterly, passed for approval and for inclusion in Air Force General and Routine Orders.

(This Order cancels A.20/25, dated 28th February, 1941.)

(H.Q. 929-17-1)

Date issued: 31st October, 1941.

G. O. JOHNSON,
Air Vice-Marshal,
for Chief of the Air Staff.

Benevolent Fund—

Regulations for

Canteens—

Payment to R.C.A.F. Benevolent Fund

Finance—

R.C.A.F. Benevolent Fund

Forms—

Application for Assistance—Benevolent Fund

Fund—

Benevolent Fund

Motion Picture—

Shows—Payment to R.C.A.F. Benevolent Fund

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SESSION 1942

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

CANTEEN FUNDS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

TUESDAY, JUNE 23, 1942
WEDNESDAY, JUNE 24, 1942
FRIDAY, JUNE 26, 1942
WEDNESDAY, JULY 1, 1942

QUESTION UNDER STUDY:

**Bill No. 5—The Reinstatement in Civil
Employment Act, 1942.**

WITNESSES:

Mr. J. C. G. Herwig, Acting General Secretary, Canadian Legion, B.E.S.L.
Mr. Walter S. Woods, Associate Deputy Minister of Pensions and National
Health

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1942

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MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

TUESDAY, June 23, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 11.00 a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Black (*Yukon*), Castleden, Emmerson, Fauteux, Ferron, Gillis, Gray, Green, Isnor, Jackman, Macdonald (*Brantford City*), Mackenzie (*Vancouver Centre*), Macmillan, McCuaig, McLean (*Simcoe East*), Marshall, Quelch, Ross (*Middlesex East*), Ross (*Souris*), Sanderson, Turgeon, Wright.

In attendance: Hon. Humphrey Mitchell, M.P., Minister of Labour; Mr. W. J. Cooper, Special Assistant to the Deputy Minister of Labour; Mr. Walter S. Woods, Associate Deputy Minister of Pensions and National Health; Mr. Robert England, Executive Secretary of the General Committee on Rehabilitation; Mr. A. M. Wright, Director of Rehabilitation, Department of Pensions and National Health with Mr. B. W. Russell, K.C., Department Solicitor; Paymaster-Captain J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet; Mr. A. A. Fraser, Joint Law Clerk of the House of Commons.

The Committee took into consideration Bill No. 5—*The Civil Employment Reinstatement Act, 1942*—referred to it by order of the House dated Monday, 20th April, 1942.

The Chairman invited Hon. H. Mitchell to address the Committee and the Minister of Labour explained to the members the purpose of the Bill under study and the proposed amendments thereto.

And the Committee thereafter considered the said Bill clause by clause.

SECTION 1

On motion of Mr. Jackman, it was resolved, That Section 1 be amended by substituting to the present short title the following: "*The Reinstatement in Civil Employment Act, 1942*".

and the said section as amended was adopted.

SECTION 2—PARAGRAPH (a)

Considerable discussion was held on the said paragraph and on the proposal to include within the scope of the Bill the merchant seaman and the (Civilian) Canadian Fire Fighters for Service in the United Kingdom. It was agreed to allow the said paragraph to stand until the next sitting in order to prepare an amendment with respect to those designated classes of persons to be submitted to the consideration of the Committee.

SECTION 2—PARAGRAPH (b)

On motion of Mr. Ross (*Souris*), it was resolved, that the present paragraph (b) of Section 2 be struck out and the following substituted therefor:—

(b) "employer" in relation to any person accepted for service in His Majesty's forces, means a person carrying on any undertaking or service in which the person accepted for service had been employed for at least three

months immediately prior to the date on which he was accepted for service, or in which on that date he had employee status or a recognized position by reason of an agreement between one or more employers and one or more trade unions or groups of employees; and references to an employer shall be construed as including references to any person for the time being carrying on any undertaking or service with which has been amalgamated the undertaking or service in which the person accepted for service was employed when so accepted or in which it was comprised when the employee's service in His Majesty's forces began.

and the said paragraph as amended was adopted on division.

SECTIONS 3 AND 4 (STAND)

The said sections were, on agreement, considered together by the Committee and after considerable discussion both sections were allowed to stand until the next meeting.

At 1.00 p.m., the Committee adjourned to meet again on Wednesday, 24th June, at 11.00 a.m.

HOUSE OF COMMONS, ROOM 277,

Wednesday, June 24, 1942.

The Committee met this day at 11.00 a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Black (*Yukon*), Blanchette, Castleden, Cruickshank, Emmerson, Ferron, Gillis, Gray, Green, Jackman, Macdonald (*Brantford City*), MacKenzie (*Neepawa*), McCuaig, McLean (*Simcoe East*), Marshall, Mutch, Ross (*Middlesex East*), Ross (*Souris*), Sanderson, Turgeon, Wright.

In attendance: Hon. Humphrey Mitchell, Minister of Labour; Mr. Walter S. Woods, Mr. Robert England, Mr. A. M. Wright, Mr. Russell, K.C., all of the Department of Pensions and National Health; Paymaster-Captain J. O. Cossette, R.C.N.; Mr. A. A. Fraser, Joint Law Clerk of the House of Commons.

The Committee resumed from Tuesday, 23rd June, consideration of Bill No. 5—*The Reinstatement in Civil Employment Act, 1942*.

SECTION 2—Paragraph (a)

A draft of the proposed amendment to the said paragraph was submitted to the Committee and after some discussion, on motion of Mr. McLean (*Simcoe East*), it was

Resolved,—That paragraph (a) of Section 2 be struck out and the following substituted therefor:—

(a) "service in His Majesty's forces" means—

(i) service on active service in the present war in the naval, military or air forces of His Majesty (including time served with full pay and allowances in the Canadian Women's Army Corps), or any period of training, service or duty in consequence of having been called out under The National Resources Mobilization Act, 1940;

(ii) service in the capacity of merchant seamen by any person a British subject and a citizen of and resident in Canada engaged in such capacity on or since September 9, 1939, on a vessel sailing in coastwise

waters or in waters outside the territorial limits of Canada, whether under Canadian registry or licence or registry or licence of any other country other than a country at war with the United Nations, and after such service for a continuous period of at least six months including lay-off periods and after discharge or release from such service, or other termination thereof;

(iii) service as a member of the Corps of (Civilian) Canadian Fire Fighters for Service in the United Kingdom during the period of such service or any period of training, service or duty in consequence of having been called out under The National Resources Mobilization Act, 1940;

and the said paragraph as amended was adopted.

SECTIONS 3 AND 4

The committee resumed from Tuesday, 23rd June, consideration of the said sections. Considerable discussion was held with respect to paragraph (c) of section 4.

Mr. McLean (*Simcoe East*) moved as follows:—

That section 3 of the said bill be amended by striking out the words "after honourable discharge or demobilization" in line 28, page 2, and substituting therefor the following words "at the termination of his service"; further, by striking out the words "not enlisted" in line 32, page 2, and substituting therefor the following words "remained in the employment of that employer"; and further, by adding at the end of the said section, line 39, page 2, the following: "and provided, further, that for determining the employee's rights to pension or other benefits, service in His Majesty's forces shall be deemed to have been service with the employer".

That section 4 of the said bill be amended by striking out the words "after honourable discharge or demobilization in Canada or within four months after honourable discharge or demobilization overseas following service with His Majesty's forces" in lines 43, 44, 45 and 46 of page 2, and substituting therefor the following words "after discharge in Canada from the service or from hospital treatment following discharge in Canada, or within four months after discharge overseas or from hospital treatment following discharge overseas".

And the question being proposed;

Mr. Gray moved in amendment thereto: That section 4 be further amended by striking out therefrom paragraph (c).

And the question on the amendment being proposed;

Mr. Mutch moved in amendment thereto: That section 4 be allowed to stand for further consideration at a subsequent meeting.

Whereupon Mr. Gray, with leave of the committee, withdrew his amendment.

And the question being put on the amendment of Mr. Mutch it was resolved in the negative on the following division: Yeas, 8; Nays, 9.

And the question being put on the motion of Mr. McLean (*Simcoe East*), it was passed on division.

And the said sections (3 and 4) as amended were adopted on division.

A debate was afterwards held on the question whether or not the committee should report to the house requesting that the order of reference of Monday, 20th April, 1942, in relation to Bill No. 5, be discharged and a recommendation

made that the said bill be referred instead to the Special Committee on Reconstruction and Re-establishment. After a lengthy discussion and consideration having been given to many suggestions the matter was not pressed and was finally dropped. The committee adjourned consideration of the bill to the next meeting.

At 1.00 o'clock p.m., the committee adjourned to meet again at the call of the chair.

HOUSE OF COMMONS, ROOM 277,

FRIDAY, June 26, 1942.

The committee met this day at 11.00 o'clock a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Abbott, Castleden, Cruickshank, Emmerson, Ferron, Gillis, Green, Jackman, Macdonald (*Brantford City*), Macmillan, McLean (*Simcoe East*), Marshall, Quelch, Turgeon, Whitman, Wright.

In attendance: Hon. Humphrey Mitchell, M.P., Minister of Labour, with Dr. W. J. Cooper, Special Assistant to the Deputy Minister; Mr. J. C. G. Herwig, Acting General Secretary of the Canadian Legion, B.E.S.L.; Mr. Walter S. Woods, Mr. Robert England, Mr. A. M. Wright, Mr. B. W. Russell, K.C., all of the Department of Pensions and National Health; Mr. A. A. Fraser, Joint Law Clerk of the House of Commons.

Mr. J. C. G. Herwig, Acting General Secretary of the Canadian Legion, B.E.S.L., was called.

The witness read a submission with respect to Bill No. 5—The Reinstatement in Civil Employment Act, 1942—on behalf of the Canadian Legion and he was examined at length thereon. At the conclusion of his deposition Mr. Herwig was extended the thanks of the committee for his contribution and the Chairman permitted him to retire.

Mr. Walter S. Woods, Associate Deputy Minister of Pensions and National Health, was called upon during the former witness's examination to answer certain questions of the members.

The committee then resumed from Wednesday, 27th June, consideration of Bill No. 5.

SECTION 5

After some discussion thereon the said section was adopted on division.

SECTION 6

On motion of Mr. Jackman, it was resolved, that section 6 be amended by inserting after "employee" first occurring in line 31, page 3, the following words "in order to evade the obligation imposed on him by this act or"; further, by inserting after "with" in line 38, page 3, the following words "such obligations or", and the said section as amended was adopted.

SECTION 7 (STANDS)

Considerable discussion was held with respect to the said section and on the suggestion of Mr. Green it was allowed to stand and a redraft of the section was ordered for consideration of the committee as its next meeting.

SECTION 8

The said section was adopted without discussion.

SECTION 9 (STANDS)

The said section was considered at length and many suggestions made with respect to the penalty. Finally the section was allowed to stand until the next sitting of the committee.

At 1.00 o'clock p.m., the Committee adjourned to meet again at the call of the Chair.

HOUSE OF COMMONS, ROOM 277,

WEDNESDAY, 1st July, 1942.

The Committee met this day at 11.00 o'clock a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Black (*Yukon*), Blanchette, Castleden, Cruickshank, Emmerson, Ferron, Gillis, Green, Isnor, Jackman, Macdonald (*Brantford City*), McLean (*Simcoe East*), Marshall, Sanderson, Whitman.

In attendance: Hon. Humphrey Mitchell, M.P., Minister of Labour; Mr. Walter S. Woods, Mr. Robert England, Mr. A. M. Wright, all of the Department of Pensions and National Health; Brigadier-General H. F. Macdonald, Chairman, Canadian Pension Commission; Mr. A. A. Fraser, Joint Law Clerk of the House of Commons.

The Committee resumed from Friday, 26th June, consideration of Bill No. 5—The Reinstatement in Civil Employment Act, 1942.

SECTION 7

On motion of Mr. Green, it was resolved, that Section 7 now in the Bill be struck out and the following new Section 7 be substituted therefor:—

7. When reviving a contract of apprenticeship in any designated trade upon the discharge from service in His Majesty's forces of a former apprentice or when entering into a new contract between the former master and such apprentice, due regard shall be given to and allowance made for any instruction relevant to such trade received by the said apprentice while serving in His Majesty's forces, and the relationship of master and apprentice shall be deemed to be the relationship of employer and employee for the purposes of this Act.

and the said section as amended was adopted without discussion.

SECTION 9

Various suggestions to amend the said section were considered. However, after careful study the Committee agreed to adopt the section without amendment.

SECTION 10

On motion of Mr. Whitman, it was resolved, that Section 10 be struck out and a new section inserted as follows:—

10. The Minister administering this Act shall, where he considers the circumstances warrant a prosecution under section nine, institute proceedings on behalf of a former employee without cost to such employee.

and the said section as amended was adopted.

SECTION 11

On motion of Mr. Green, it was resolved, that section 11 be amended by inserting after "*Gazette*" in line 32 of page 4 the following words:—

and be tabled in Parliament forthwith if Parliament is in session, and if Parliament is not in session, within two weeks of the opening of the session next following the making of such order or regulation,

and the said section as amended was adopted.

PREAMBLE

Mr. A. A. Fraser, Joint Law Clerk of the House was called upon to give the views of the Law Branch on the propriety of a preamble to the present Act and in the opinion so expressed, the Committee concurred.

Whereupon, on motion of Mr. Castleden, it was resolved, that all the words in the preamble up to and including the word "Therefore" in line 21, page 1 be struck out.

TITLE

In view of the several amendments brought about in the Bill the matter of the Title was discussed. On motion of Mr. McLean (*Simcoe East*), it was resolved, that a recommendation be made when the Bill is reported with amendments to the House that the Title be changed to read as follows:—

An Act to provide for the Reinstatement in Civil Employment of discharged members of His Majesty's Forces or other designated classes of persons.

And the question being put it was agreed that the Chairman report the Bill as amended to the House, and a reprint of the Bill as amended be ordered.

On motion of Mr. Green, seconded by Mr. Black (*Yukon*), it was resolved, that a recommendation be made to the House in a Special Report to the effect that the Governor in Council when implementing the provision of the Act (Bill No. 5—The Reinstatement in Civil Employment Act, 1942) for the designation of a Minister to administer the Act should give consideration to the designation of the Minister at the head of the department specially charged with the administration of returned soldiers' affairs.

At 12.00 o'clock noon the Committee adjourned to meet again at the call of the Chair.

ANTOINE CHASSÉ,
Clerk of the Committee.

REPORTS TO THE HOUSE

TUESDAY, July 7, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds begs leave to present the following as a

SECOND REPORT

Pursuant to the Order of Reference of the House, of Monday, 20th April, 1942, your Committee has considered Bill No. 5, An Act to provide for the Reinstatement in Civil Employment of Individuals who enlist for service in His Majesty's Forces or who perform essential war employment, and has agreed to report the said bill with amendments.

Your Committee recommends that the title of the said bill be changed to:—

An Act to provide for the Reinstatement in Civil Employment of discharged members of His Majesty's Forces or other designated classes of persons.

A reprint of the said bill as amended has been ordered.

A copy of the printed evidence taken is tabled herewith.

All of which is respectfully submitted.

W. ROSS MACDONALD,

Chairman.

TUESDAY, July 7, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds begs leave to present the following as a

THIRD REPORT

Your Committee when it had under consideration Bill No. 5, An Act to provide for the Reinstatement in Civil Employment of Individuals who enlist for service in His Majesty's Forces or who perform essential war employment, considered that a recommendation should be made to the House to the effect that the Governor in Council when implementing the provision of the Act for the designation of a Minister to administer the Act should give consideration to the designation of the Minister at the head of the department specially charged with the administration of returned soldier affairs.

All of which is respectfully submitted.

W. ROSS MACDONALD,

Chairman.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

June 26, 1942.

The Select Committee on Canteen Funds met this day at 11 a.m. The Chairman, Mr. W. R. Macdonald, presided.

The CHAIRMAN: Gentlemen, since our last meeting the committee has received a request from the Canadian Legion that they would like to make a presentation. If it meets with the approval of the committee I will call Mr. Herwig now and ask him to give the committee any evidence he desires.

Mr. J. C. G. HERWIG, Acting General Secretary, Canadian Legion, called.

The WITNESS: Mr. Chairman, I would like to read a prepared statement.

The CHAIRMAN: And then you will be ready to answer any questions that are asked?

The WITNESS: Yes.

Even before the outbreak of war, the Legion had reached the conclusion that in future conflicts the problem of rehabilitation should be treated as a war measure. When war came, the Legion presented this view to the government, and we can now express our appreciation because the government gave practical effect to this viewpoint by immediately setting up a committee on rehabilitation. A report was made by this committee to a special parliamentary committee last session, containing several excellent recommendations, which have since become effective rehabilitation measures.

The proposal that employers should reinstate ex-service men, who enlisted in the fighting services while in their employ, was first introduced by the Canadian Legion in a memorandum to the government in March, 1940. It was again presented to the special committee last session. At that time reference was made to a measure already in operation in New Zealand, known as the "Occupational Re-Establishment Emergency Regulations". Our government accepted the proposal in principle and passed an order in council suitable to Canadian conditions.

I might say that the New Zealand order in council has now been made into a statute as of October, 1941.

Already a number of cases have been successfully dealt with under the Canadian order in council, as the departmental representative has already informed you. This bill now puts into legislative form the terms of this order in council.

It seems obvious to the Legion that one immediate means of reestablishing a considerable number of men on demobilization would be to obligate former employers, who are in a position to do so, to reinstate those who had enlisted from their employ. We believe that many employers would wish to do this in any event. However, it was felt by the Legion from the beginning that the principle should be given statutory authority in order that employers generally, throughout the dominion, would begin immediately to consider rehabilitation as a definite problem affecting themselves.

Many objections can be raised to legislation of this kind but the Legion believes that a statute will provide the most effective means of tying employers generally into the rehabilitation plans of the government and placing a share of

the responsibility of solving the problems of individual rehabilitation squarely before them now so that it shall remain a factor which cannot be ignored in determining their policies affecting personnel.

We realize that this measure is not likely to create employment and will, perhaps, result in displacement of persons already employed, but this, we feel, is in line with the Legion's general demand that a preference shall be given to the ex-service men in respect to all employment that may be available when the war is over. In the government service both the principles of reinstatement and preference have already been recognized by special orders in council granting leave of absence without pay. The statutory preference given to veterans of the last war has also been extended to men now serving overseas. No doubt, when the war is over, many retirements will take place because of age and for other reasons, and many ex-service men will be absorbed in this way. Similar conditions will exist in the establishments of other large employers. We believe, therefore, that a large number of ex-service men can be reestablished in their former civilian occupations through the provisions of this bill without causing any great inconvenience to the employer.

We have always contemplated this measure as one dealing solely with the reestablishment of ex-service men and now, of course, ex-service women. However, it is noted that in the description of the bill, as printed for first reading, it contemplates the reestablishment of persons who perform essential war employment in addition to those who enlist for service in His Majesty's forces. While we naturally desire to see all Canadians affected by the war suitably reestablished, yet we submit that ex-service men should be given first consideration (and in this connection we would include merchant seamen and fire fighters, whose records indicate that they served in a theatre of war). We fear that a measure, which introduces civilian workers as persons to receive equal consideration, will cause difficulties in administration and perhaps conflict of purpose. We believe firmly in the principle that a man who was prepared to sacrifice his life for his country should receive first consideration in any reestablishment measures.

The Legion also believes that it is wise policy to, as far as possible, have measures that are promulgated for the benefit of ex-service men and women administered by the department charged with the responsibility for their rehabilitation, and we feel that the committee should seriously consider the effect of making such a change in regard to the original intention of the order in council, which was the reinstatement of ex-service men only.

The Legion has pointed out many times that the fighting man, not only is prepared to sacrifice his life for the welfare of his country, but that while he is serving he sacrifices opportunities for advancement in civilian life. It is, therefore, a matter of simple justice that cognizance shall be taken of this sacrifice, so that upon his return he shall receive the highest measure of preferential treatment within our power to give. The men in the fighting forces perform their service for each one of us who remains in civilian life without discrimination, and it is not too much to ask of those who have employment to offer to give preference to them.

The granting of a general preference may not be a matter which comes within the terms of reference of this committee, but to our mind it bears relationship to the problem which this bill, in part, is intended to deal with.

I would like to place on record an extract from the report of our Winnipeg convention rehabilitation committee, which reads as follows:—

Preference in Employment—

In order that the ex-service man may receive the benefits to which his service to the country entitles him, your committee strongly recommend that this convention go on record demanding an over-all prefer-

ence in the matter of employment for all honourably discharged ex-service men and women, provided always that the individual is qualified to fill the position.

This recommendation does not refer solely to government employment. It contemplates the granting of a preference for all employment which can be administered through the employment offices operated by the Unemployment Insurance Commission. The Legion believes that some practical method can be devised whereby the application of this preference shall not unduly inconvenience employers. Most employers will wish to give such a preference anyway, but some means must be provided for establishing the principle and for providing a channel through which contact can be made between the employer and the veteran.

If this proposal does not come within the terms of reference of this committee, it will at least indicate to you the degree of importance we attach to Bill No. 5 in relation to the general problem of the placement of ex-service men in employment upon their discharge.

In any event, the Legion believes that, by giving statutory effect to the present reinstatement order, the principle will become more firmly established and by the time the war is over any practical difficulties which may arise will have been ironed out.

The CHAIRMAN: Do any of the members desire to ask Mr. Herwig any questions?

By Mr. Cruickshank:

Q. With regard to the preference for employment there is a suggestion that all ex-service men and women be given an over-all preference. Does that refer to active service?—A. Well, anyone who has enlisted in the fighting forces naturally has enlisted with the idea of some time meeting the enemy.

Q. I want to be clear. As far as I am concerned I think active service means that a man enlists for what we call active to go anywhere, but if he is merely enlisting to guard a prison camp in British Columbia or Alberta I cannot see why he should get the preference. Does the Legion mean that if a man is in uniform he gets the preference?—A. I say that a man who goes into uniform and is prepared to face the enemy that that man comes within the category and receives the preference. I know that brings up the question concerning all those people who will be serving in Canada and doing what you might call civilian jobs in uniform. In that respect there will have to be some sort of a division made.

Q. Not necessarily civilian jobs in uniform.—A. Because a man may be kept in Canada over a period of years although he enlisted to go overseas. I do not think that situation can be disregarded.

Q. No, not if he is kept in Canada through no fault of his own; but calling a spade a spade—and that is the best way to distinguish it from a shovel—I do not see why a draftee who refuses to go overseas should have the same preference in employment as the man who voluntarily enlists for overseas, or one of these girls, because every one of those girls has enlisted to go to Libya or wherever she is sent, and these other beggars have not, they want a cushy job in Canada?—A. I agree with you.

Q. The Legion does not think that those fellows should get the same preference, does it?—A. There should be some distinction made. There is a distinction made in the Pension Act. I am not sure that would be the distinction we want to make with respect to rehabilitation.

Q. In other words we have a preference now for disabled men, for the amputation cases, but I am thinking of men who serve in a maximum theatre of war?—A. I am not saying we should not extend that preference for some

employment—I do not say for all government employment but in as far as rehabilitation is concerned into industry—to persons who may not have served overseas. For instance, some time or other a decision must be made as to whether people serving in coastal areas shall come within the category of overseas service because they may come under shellfire, and we will have to decide whether that territory will be called a theatre of actual war.

Q: That is not the point. Those men are serving on the coast and they are liable to serve anywhere. They may be sent to Libya. As long as those men enlist in the active service I am satisfied, but if they enlist under compulsion and stay in Canada I do not think they are entitled to the same treatment.

Mr. EMMERSON: Draftees may come under active service conditions.

Mr. CRUICKSHANK: Quite true; if they enlist; but what I am getting at is this—

The WITNESS: You are making a distinction between the drafted man and the volunteer—is that your distinction?

By Mr. Cruickshank:

Q. Absolutely, unless a man volunteers for active service. He may be shelled on either coast before the war is over, but I do maintain that a man who enlists to serve wherever his country sends him and is ready to meet the enemy surely should not be treated the same as if he joined up on condition that he would not have to go where the enemy was but could stay in Canada.—A. I will make this distinction. We would not want to bar the draftees who might come under actual fighting service.

Q. It might be a little encouragement to him to go and look for the firing.—A. It is a distinction.

Mr. MACMILLAN: An ex-service man who served in a theatre of war; a man who has enlisted to serve as required or who has served in a theatre of war.

The CHAIRMAN: That would no doubt cover the suggestion of Mr. Cruickshank and meet with the wishes of the Canadian Legion.

The WITNESS: Yes.

Hon. Mr. MITCHELL: The original National War Service Regulations proved in principle somewhat more stringent, I would say, than does this bill. The return to civilian employment of people called up under the regulations already exists in the regulations. Now, in the amending regulations there is this clause, section 21:—

The provisions of the War Measures (civil employment reinstatement) Regulations, 1941, made and established by Order in Council P.C. 4758, dated the 27th day of June, 1941, shall apply to the employer of any man called out under National War Services Regulations, 1940 (recruits) (Consolidation, 1941) in the same manner and to the same extent as they now apply to any person who has left employment to enlist for service in His Majesty's Forces.

That is the order in council this bill is going to substitute for. That is all part of the regulations.

The CHAIRMAN: May I point out that this is the view expressed by the Legion as to employment generally of ex-service men upon discharge from the service. The bill which we are considering is a bill to require employers to re-employ former employees. What we have been discussing is more or less the general matter of re-employment. Now, could we get down to the bill and ask Mr. Herwig any questions with respect to the bill that is before us: that is a bill to require employers to employ former employees who joined the service?

Mr. CRUICKSHANK: Might I ask what the title of this bill means? Read the title of the bill; it is not consistent.

Hon. Mr. MITCHELL: I think I explained that yesterday. That was an error in drafting. The bill never intended to cover this, "or who perform essential war employment". That was an error in drafting.

The CHAIRMAN: That is to be cut out. We have not considered the title yet. When we come to that it will be cut out.

Hon. Mr. MITCHELL: The intention is to cut that out.

Mr. TURGEON: I agree with Mr. Cruickshank that this distinct preference should first of all be given to those who enlist for service any place where the needs of Canada may require them to be sent. There is just this question: eventually those who are called up, I am assuming, will be called up for service at any place where they are needed; and if it can be done I think it would be wise to restrict this to those who enlist for service any place where Canada may wish them to go.

Mr. GILLIS: Mr. Chairman, I agree with the statement Mr. Herwig has read setting out the principle of re-establishment. That is all that is dealt with, though. As the chairman points out we are dealing specifically with a bill, but just putting a bill on the statute books does not serve our purpose.

By Mr. Gillis:

Q. Mr. Herwig, have you read this bill?—A. I have not seen it in its amended form.

Q. My own personal objection to it is that first the order in council is being administered by the Department of Pensions and National Health now, where the matter, in my opinion, rightly belongs; but I am afraid that as the Minister of Labour is piloting this bill through the house or will do so there will be a change in the minister who will administer these regulations. If that happens, I am afraid this is going to happen: where the chief welfare officers now are handling the men being discharged from the army and accepting responsibility to see that those men are routed back into employment, under the terms of this bill with a change in the minister who is to administer it—I am not casting any reflection on the Minister of Labour—

Hon. Mr. MITCHELL: Of course not.

Mr. GILLIS: I am afraid that the procedure of routing men back into their former employment is going to be handled through the courts, and the onus of responsibility is going to be placed upon the discharged soldier to prove that he is entitled to a job. That is what I am afraid of in this bill as it is now.

Hon. Mr. MITCHELL: As far as I am concerned, I think I can say at the moment that under the regulations this bill will be definitely administered by some department containing specialists in the problem of handling returned soldiers. I think that is sound and practicable, and you can rest assured that that will be done. At the moment we do not know which is the best department to do that. At the moment this matter is being administered by the Department of Pensions and National Health, and I presume that it will continue to be called by that name, although before this war is over the names of departments may even be changed, and that is why I think this should be done by regulation. But you can rest assured that this matter will be administered by a department that is responsible primarily for the welfare of the returned soldiers. I think that is about as far as I can go at the moment, taking a long view. Now, I have often heard it said in the House of Commons and outside of the house that this legislation has no teeth in it. Well, is it not necessary, assuming that the welfare officers of the Unemployment Commission handle this problem, if the employer did not go along—is it not necessary eventually to take him to the courts, and I assume that the welfare officers of the department would naturally direct the crown attorney to prosecute the employer. I fancy that is the way events would happen.

Mr. GILLIS: If that assurance were in the bill—that the welfare officers would be responsible for any prosecutions that might arise—I would be perfectly satisfied.

Hon. Mr. MITCHELL: You can see my point about writing a thing like that into a bill—once the war is over we will get back to basic legislation.

Mr. GILLIS: That is what I am afraid of.

Hon. Mr. MITCHELL: We will get back to basic legislation where we will not do anything except by law in the House of Commons. Now, is it not far better to have the Governor in Council empowered by regulation under the Act? It is the normal way of doing things, to set these things in motion, to see to it that the provisions of this bill are carried out. That adds up in my brain, but to write a department into an Act when that department may not exist when the war is over—

Mr. WRIGHT: The Department of Pensions and National Health will exist.

Hon. Mr. MITCHELL: It may be under a different name. I say this as a member of the House of Commons that if we argue as long over changing that as we argue over some of the things that should have been got out of the way long before this I am fearful of the welfare of the returned soldiers of the country.

Mr. GILLIS: I think the bill is premature. You are dealing with a problem that will confront you when the war is over. In view of the study being made by separate committees on rehabilitation this ties in with the whole of our rehabilitation plans. I think it is premature to make this statute now. You may have to change it next week. The order in council was serving the purpose and taking care of the situation as it is now and was being administered perfectly. I can see an army being discharged under this legislation—80 per cent of the boys won't know what it is all about. They will look for a job and they will be refused. Then they have to prove their right or take their employer into court and that means red tape. The onus of responsibility should rest with your welfare officers to see that that boy is given the benefit of the provisions of this bill. That is all I am concerned about.

The CHAIRMAN: We could have a clause added to the effect that the bill would be administered by the Department of Pensions and National Health.

By Mr. Jackman:

Q. Mr. Herwig, the government has given money to the Legion, has it not?—A. The Legion received grants to carry on pension adjustments and other services.

Q. It seems to me that Mr. Gillis' difficulty should be taken care of through the soldiers' organizations. The government does make a grant now for pension adjustments, and if necessary that grant can be increased to take care of cases such as we are considering. The soldier would feel more at home going to his friends in the Legion or other veteran organizations. Once a few things are established; once the principle is well established about employers taking veterans back again I do not think there should be very much difficulty, but where difficulty is met the soldier will go to the soldiers' organization.

Mr. TURGEON: I think the government should pay the costs.

Mr. GILLIS: The government have the machinery in connection with unemployment insurance; the Legion is just a volunteer organization.

Mr. CRUICKSHANK: Would not somebody like a soldier's advocate be good?

Mr. GILLIS: That is the welfare officers' job now in that specific field. That is why I say they should handle that matter.

The CHAIRMAN: Gentlemen, with all due deference to the minister, I am not in accord with having a clause placed in the bill to the effect that this matter should be administered by the Department of Pensions and National Health.

We have in Canada at the present time unemployment officers established in practically all centres. Those unemployment officers are in close touch with employment and know how employees should be placed. Now, there are welfare officers in the Unemployment Insurance Department, and it is my thought that this bill should be administered by the Department of Labour through the unemployment insurance officers in each district. I think that will bring far better results.

Mr. GILLIS: The welfare officers who work with the unemployment insurance officers are under the Department of Pensions and National Health.

The CHAIRMAN: Yes, but their time is going to be taken up looking after pensions.

Mr. GILLIS: No, they have nothing to do with pensions; the welfare officers are appointed specifically for the purpose of taking care of returned soldiers as regards employment after the war.

The CHAIRMAN: Yes, that is correct, but they are attached to the Department of Labour.

Mr. GILLIS: No, they are attached to the Department of Pensions and National Health.

The CHAIRMAN: No, he is in the unemployment office, there is no doubt about that.

Mr. WRIGHT: He has office space there, that is all.

Mr. GILLIS: They loan him office space. He is under the Department of Pensions and National Health.

Mr. CRUICKSHANK: He is responsible to that minister, not to the Minister of Labour.

The CHAIRMAN: Well, no doubt you gentlemen are correct in that, but I still think that this is an employment proposition and that the Department of Labour should look after it through the unemployment officers.

Let us go back to this question of welfare officers. I am not so sure that there is a welfare officer in each employment office. There is not a welfare officer in each employment office. I know that in the city of Brantford, from which I come, we have not got a welfare officer.

Mr. GILLIS: There is one in each province.

The CHAIRMAN: How can one officer in each province handle cases throughout the whole province? A welfare officer situated in Toronto, sixty-five miles from Brantford, has not got the time to come up to Brantford to look after such cases. I am definitely of the opinion that this matter should be under the Department of Labour and handled through the unemployment officers.

Mr. TURGEON: May I point out one thing: this is not a proposed Act to provide for employment, it is a proposed Act to provide for reinstatement of a soldier in a specific job which he had before he enlisted. It is a preference. It is not to provide employment but rather to provide reinstatement in the position which he had previous to enlistment. Now, somebody must have the job of helping the soldier to get back into the position which he occupied previous to enlistment, provided that circumstances permit it. So, this is not really an Act to provide employment; it is an Act to provide reinstatement.

The CHAIRMAN: I am not going to press the point but I do want to point out to this committee that if you turn this matter over to the Department of Pensions and National Health you will have one man in each province assisting the returned men to see that they get their jobs back. If you leave it with the Department of Labour you will have one man in each city to help the men get their jobs back.

Mr. TURGEON: There may be something in that.

Mr. McLEAN: I live in a community of between 9,000 and 10,000 people. If, when a man comes back, he has difficulty getting back his job I doubt very much whether the welfare officer away down in the city of Toronto, acting for the whole province, will be of much immediate service to him. However, we have the unemployment insurance officers in that town, and the civil service preference is responsible to see that the man in charge is a returned soldier. I have not very strong views on which department should handle it.

Mr. Woods (Associate Deputy Minister of Pensions and National Health): The statement has been made that there is one welfare officer for each province. To keep the record straight, I might say that in the province of Ontario there are welfare officers in Ottawa, Toronto, Hamilton, London, and Windsor.

Mr. McLEAN: Toronto would be the most convenient point for my town to deal with, and it is about ninety miles away. The officer in charge of unemployment insurance, who will be a returned soldier, should make it his duty to see that there are no infractions of this act. He is there for the returned men in that town and the surrounding territory, and unless he was charged with that duty I would feel like asking for a welfare officer in that town. That would mean the appointment of far more welfare officers than the government would be prepared to appoint.

Mr. Gillis: I agree with everything you said with this exception: the thing I have in mind is the enforcement of the act; you may have an employer who refuses to re-employ a man.

Mr. McLEAN: It will be the duty of this returned soldier who is in charge of the unemployment insurance office—it should be made perfectly clear to him that it is his duty to call up the county prosecutor and have an information laid.

Mr. Gillis: I am satisfied if that is to be done.

Mr. McLEAN: I do not want the assistance to the returned men with regard to prosecution under that section to be left in my section of the country to somebody in Toronto or Hamilton or Ottawa, because they would not be much good to the returned soldier.

Mr. Gillis: One thing we have to keep in mind—and we have discussed this at some length—is that when we set up our welfare officers it should be distinctly understood that the welfare officer was to take care exclusively of the ex-service man coming back. With that end in view the unemployment insurance men were to administer the act and to assist as far as possible the welfare officers in routing back into employment the ex-service men. There is a distinction there. If you are going to tie it up in the way you suggest, I am satisfied.

Mr. McLEAN: If some of those unemployment officers are not carrying out their duty the matter will be brought to the attention of those welfare officers in the cities some distance away who would see that the matter was drawn to their attention.

Mr. Castleden: There is one question I would like to ask Mr. Herwig. He has read the bill, and I should like to direct his attention to section 4: He will notice that in any proceedings for violation on the part of an employer to reinstate his man it shall be a defence for the employer to prove under section 1 that it was not reasonable or practicable to reinstate that man, that he has offered to reinstate him in the most favourable occupation or, (b) it will be a defence for the employer to prove that the man was physically and mentally incapable; and again in clause 5 the responsibility of the employer is limited to six months. After six months are over the employer can discharge that man. Now, I would like to know whether the Legion is in favour of those sections of the act?

The Witness: We recognize that there must be some sort of an escape for the employer in a bill of this kind. You cannot compel a man to retain a man who obviously, after he returns, is not a fit man to do the job; there must be

some sort of escape for the employer. I do not know how that could be differently worded; it will have to be worked out by experience. When this is put into effect, or when it becomes more effective than it is now, because of the larger number of cases that will be dealt with, if the escape clauses are found to be too open, then will be the time to make a change.

Mr. CASTLEDEN: What about clause 5, which limits the responsibility of the employer to six months? It makes a rather empty gesture of the whole thing.

The WITNESS: If the relations between the employer and employee are such that the employer wants to get rid of the employee it is going to be pretty difficult to hold him. That applies in the civil service. The civil service should be the easiest place to keep a man employed, and very often men who are not wanted are kept in the civil service, but even there they have ways of getting rid of people. We do not know how this is going to work out until we get to actual cases.

Mr. CASTLEDEN: There is nothing in the act to make the employer keep the employee beyond six months.

The WITNESS: It certainly gives the man an opportunity to become re-established in his former occupation, and if he can make good in the six months then he is settled.

Mr. CASTLEDEN: I take it then that you as a legion representative would endorse sections 4 and 5 as being about as practicable as we can make them.

The WITNESS: I think at present they are about as practicable as can be put into a statute.

Mr. CRUICKSHANK: We have heard the minister say that the bill is to be amended now by striking out the words "who perform essential war employment". On page 2 of your brief, Mr. Herwig, you mention the fact that it contemplates the re-establishment of persons who perform essential war employment, etc. Now, that has been stricken from the bill by the minister. I would like to know what the minister thinks of the words in your brief: "and in this connection we would include merchant seamen and fire fighters, whose records indicate that they served in a theatre of war". To make my point clear, I am not objecting to these men being protected. I think they should be protected as much as anybody else, but I am of the opinion and I think some members of the committee are also, that it would be far better to handle the case of such men as merchant seamen and fire fighters under a separate bill. I am not begrudging them getting everything but I do think they should be handled separately from soldiers.

The WITNESS: That really gets us down to the question of a definition of ex-service man.

Mr. CRUICKSHANK: I think there will be too much conflict.

The WITNESS: We do not see why the services of a merchant seaman cannot be so defined as to bring him under the definition of service man. He is not an enlisted man, but he does come under compulsion; he serves under discipline. He has to deliver goods and go where he is sent. Shall we say that the services of the merchant seaman and the fighting man are somewhat analogous? We think they should be recognized.

Mr. CRUICKSHANK: I am not begrudging the merchant seaman his due. I think there is no man serving to-day who is entitled to more consideration than the stoker on one of those merchant boats; but I can see that there might be a conflict when arriving at a preference for employment in connection with a man who served on a wheat carrier on the Great Lakes.

Mr. TURGEON: He is included.

Mr. CRUICKSHANK: Oh. Another case I can see there might be conflict about is this: At present in British Columbia we have some 300 or 400 fire fighters sent out there. They did not ask to go, they were sent there, from some conscientious objector camp. I do not see why—

The WITNESS: We are excluding that class.

Mr. CRUICKSHANK: They are fire fighters.

The WITNESS: In the last war merchant seamen were given a status under the navy—certain seamen were—but those who were given that status, who are accepted now by the Civil Service Commission as being entitled to the preference, are by no means all the men that suffered injury or served in dangerous waters. As a matter of fact, we have had several cases of men who have been torpedoed three or four times and who are denied the preference because of a technicality. They are not considered to be men entitled to the preference. I think that definition ought to be changed. We have already given preference to merchant seamen in the civil service; now what we want is to have the preference widened so that it includes all men who have served in dangerous waters or have been injured.

Mr. CRUICKSHANK: Would it not be better to give them this preference but to cover it in a separate bill—distinct from that covering soldiers?

The WITNESS: As far as that is concerned, the manner in which it is done does not matter much to us. I do not know whether it would be better to do it under a separate bill. The preference we are asking for is for employment. The Civil Service Commission would have to administer that preference for the civil service whether it came under one bill or two—it would not make any difference.

Mr. CASTLEDEN: There is a special provision in the civil service regulations governing returned men.

The WITNESS: Yes.

Mr. CASTLEDEN: It is that principle that you want brought into all employment.

The WITNESS: Yes.

The CHAIRMAN: If there are no more questions, I shall thank Mr. Herwig for coming here to-day.

The WITNESS: Mr. Chairman, may I make one observation arising out of a reference to the Legion taking pride in the enforcement of this bill. We have a relationship with the Department of Pensions and National Health now which comes out of the effort of the Legion to serve in any way it can in this war effort, whereby we are linked up with the welfare department and in any place where they have no officer we have committees that will act in that capacity. Now, because we get a grant from the government or because the government might extend that grant I do not think we want to get into a position where we would be expected to conduct legal proceedings. We will certainly help the welfare division to prepare cases and to get all the evidence necessary for a prosecution that is undertaken; we will do that kind of work; but I do not think we want to conduct court prosecutions. We believe that should be done by the welfare officer.

The CHAIRMAN: Thank you, Mr. Herwig.

(The committee went into camera on the clauses of bill No. 5.)

NOTE

On instruction of the Chairman, the following submissions with respect to the matter of Canteen Funds are appended as follows:—

Appendix "A"—Major Alex. C. Lewis, Secretary-Treasurer, Ontario Canteen Fund, Toronto, Ont.

Appendix "B"—The Canadian Legion, B.E.S.L., by J. C. G. Herwig, Esq., Acting General Secretary.

APPENDIX "A"

TRUSTEES, ONTARIO CANTEEN FUND

TORONTO,
June 25, 1942.

Mr. W. Ross Macdonald, K.C., M.P., Chairman,
and Members, Special Committee on Canteen Funds,
Parliament Buildings,
Ottawa, Ontario.

Gentlemen:—

As requested by your Committee when I had the pleasure of appearing before you on the 11th and 12th instant, I am presenting this brief to supplement my comments on the report and recommendations of the General Advisory Committee on Demobilization and Rehabilitation (Appendix "F", Proceedings No. 1).

Before dealing with the report of the Committee I would like to refer briefly to a section of the report of the Special Committee on Canteens (Appendix "E", Proceedings No. 1, Page 27) where the Committee deals with the recommendations of representatives of the Air Force and the Navy that the Funds derived from the Canteens operated by the three services be kept in separate funds and under separate administration.

It appears to me that the Benevolent Funds referred to by the Air Force and Navy representatives are designed for the benefit of the members of the regular standing forces of the two services and would be of small benefit, if any, to the added personnel required by the war. There should be a separation of these interests and the Canteens necessitated by the influx of members should contribute to one central fund for all three services. I agree entirely with the recommendations of the Committee on pages 27-28 in connection with this problem.

Reverting to the report of the General Advisory Committee on page 45, Proceedings and Evidence No. 1, paragraph 1 under "Comments" the Committee says:—

(1) The above survey of a few of the many funds throughout Canada will indicate that there has been great variety in control and methods and in the Criteria governing the forms of assistance to veterans. The conclusion can hardly be resisted that while much good was undoubtedly done, more could have been accomplished by centralized control, the establishment of Dominion standards of assistance and a broader based and more scientifically built policy of investigation and aid which might well have resulted in less administrative costs.

Centralization as suggested could profitably be applied to what might be termed official or service funds, such as balances of regimental funds, and special funds raised by various units, bequests which are not designated to some special purpose or left for administration by some specific organization. I do not see how it could be applied to funds raised by local organizations, whether of veterans or civilians, or to specific bequests. A great deal of money is raised by individual branches of veterans' organizations and by other bodies and is used to assist local cases. If any attempt were made to control the administration of such funds I believe they would be dried up at their source. People will

give very willingly to a local organization but will not contribute to a government activity, the personal element influence has been lost and individual liberty of action interfered with.

Nor do I believe that the administration of the Poppy Fund should be removed from the local branches of the Canadian Legion. This fund has been a great success because of the activity of the branches and I am of the decided opinion that interference would be very injurious.

Paragraph 2 on page 45 comments on the administration of the Canteen Fund accumulated during the first Great War and clause (a) says:—

At the time it seemed that there were certain advantages in decentralization of control of these funds to Provincial Boards but it is not clear that these were obligated to conform to careful standards of custodianship, investment, audit and control, and they do not appear to have been restricted as to the type of security in which funds were invested.

This clause should be considered along with clause (B) which refers to the use of funds by some of the trustee boards for purposes for which the authority was doubtful and to the apparent lack of any Dominion statutory control over the operations of the trustees.

These two clauses reach to the very heart of the conditions which form the basis for criticisms of the actions of some of the provincial boards. I venture to suggest that the conditions complained of are due, not to decentralization of the administration of the Fund, but to lack of proper statutory provision for adequate regulations and supervision. While the Canteen Funds Act, 1925, laid down certain guiding principles for the administration of the Fund and these were regarded by the Department at Ottawa, and also by the Department of Justice, as binding on the provincial boards, the directions were not sufficiently specific and there was no provision at all for the exercise of Dominion supervision. In the statute governing the administration of the Fund from the present war these points could be safeguarded and with these conditions properly remedied, I feel that administration and disbursement of the Fund by provincial boards will prove the most satisfactory method. One of the principal arguments in favour of provincial boards when the method of administration was being considered following the last war was that the Fund should be allotted to the various parts of Canada through an equitable distribution based on the percentage of enlistments and the fairest method of determining the allotments was deemed to be by means of provincial boundaries. I think that argument is still sound.

Regarding proper control of investments it is of course a fact that the Funds under consideration are trust funds and under the general law regarding such funds can only be invested in trust securities as defined by law. However as some of the trustee boards apparently did not realize this there could be included in the governing legislation a section making it quite clear.

Clause (C) says:—

In the case of several boards, the records cannot be regarded as satisfactory.

That clause is really discussed in dealing with clauses (A) and (B). The conditions were largely due to lack of proper statutory direction and control.

Clause (D) deals with the condition of the Ontario Fund and is replied to in the brief submitted by me on the 11st instant and particularly on pages 157-8-9 of "Minutes of Proceedings and Evidence No. 7".

The Trustees of the Ontario Fund have considered the question raised in this clause many times and are convinced that the Fund under their control will be exhausted long before the need for it ceases.

Paragraph (3), page 45:—

It has been the experience in the past that the improvident ex-service man has been able to secure help from a variety of funds, local, provincial and national, and there is some element of doubt as to the wisdom of the indiscriminate monetary grant in such cases.

This deals with a condition often discussed by the administrators of various funds and one which is closely checked. Overlapping does sometimes occur. The question to be answered is whether it is wise to so strictly safeguard a fund as to practically destroy its usefulness. We have laws guarding the sanctity of personal property but a small percentage of such property is stolen from time to time. In Ontario the various authorities interested in aiding veterans maintain a pretty close association and exchange reports, etc. We feel that there is not a great deal of opportunity for double grants to one individual but of course there is some and without such rigid administration as to render it difficult for a veteran to secure any assistance I do not see how it can be avoided. I would like to add that in my experience there has been little attempt by veterans to secure assistance to which they are not entitled. The record of the ex-soldiers in this respect is very, very gratifying.

Paragraph (4), page 45:—

Members of a carefully selected Dominion Board of Trustees would, in the future, probably wish to develop the assistance to veterans on more constructive lines than the making of monetary grants without subsequent follow-up of the cases. Since the structure of relief for necessitous cases in Canada is now much more complete than in 1919, emphasis might well be laid upon civil re-establishment projects. It may be noted that in the past one of the projects to which funds might be devoted was the education of the children of veterans. Since education is a provincial matter and the encouragement of talent by means of education would probably lie within the provincial sphere, it is doubtful whether scholarship projects should be included in objects to which the fund might be devoted. The rehabilitation of the head of the family is the essential prerequisite to the acceptance of his proper responsibility for the opportunities given his children, so that attention might be directed to this main object.

The suggestions contained in this clause would appear to divide themselves into the following:—

- (a) The establishment of one central board to administer the fund for the whole of Canada.
- (b) Concentration of the fund on civil re-establishment projects.
- (c) No use of the fund for relief of distress amongst veterans.
- (d) No use of the fund for education of children of veterans.

I disagree in toto with these suggestions for the following reasons:—

(a) The centralization of the fund at Ottawa to be disbursed by a Dominion Board of Trustees would unavoidably result in delay in dealing with applications and relieving the urgent situations on which those applications would be based. There would also be a lack of the local knowledge which is so very helpful in the activities of a provincial board. The delay would not be overcome by the appointment of district advisory boards.

(b) This suggestion of use of the fund for civil re-establishment projects links up with paragraph 5 (page 46).

This is essentially a dominion government responsibility and requires a constant source of new revenue to make it effective. If the Canteen Fund from the present war should amount to double that of the last war, and present indications do not warrant a hope that such will be the case, it would be far short of sufficient to carry such a plan to conclusion. Re-establishment projects entail the appropriation of a considerable sum for capital investment and a substantial annual expenditure and no fund with a fixed limit can undertake such obligations unless it can be counted in many millions of dollars. A reference to the amount expended by the Department of Soldiers Civil Re-Establishment on such activities following the last war will furnish ample evidence of the truth of this statement.

(c) The suggestion that use of the fund for relief of distress amongst veterans will not be needed appears to be predicated on the belief that the fund from the last war was used to aid in ordinary cases of distress resulting from unemployment.

This condition did not obtain in Ontario nor, according to my information, did it obtain to any extent in more than two or three provinces in Canada. The object of the Canteen Fund is to see that, in cases of distress resulting from illness of the veteran or in his family, there is some assistance available in addition to the ordinary channels of relief. We believe that the sacrifice made by the veteran and his family through his service in the war entitles them to this additional consideration.

So far as the statement that "the structure of relief for necessitous cases in Canada is now much more complete than in 1919" is concerned, this has to be considered in the light of these facts:—

Ordinary relief for cases of distress resulting from unemployment was stepped up by the various authorities during the depression years but is now being stepped down to its former standards. (Note: The veteran benefited to no greater extent than the ordinary applicant.)

The regulations regarding hospitalization of veterans have been beneficially amended recently, but even yet there are very definite restrictions regarding the quality of service which entitles a veteran to hospitalization at governmental expense, restrictions which leave many thousands of veterans outside the possibility of benefiting, and the Canteen Fund is practically their only source of assistance.

The laws governing hospitalization at the expense of the municipal authorities have not been altered. The man striving to support his family on a small salary is not eligible, nor is any member of his family; he cannot meet hospital expenses out of his salary and the Canteen Fund is his only resource.

The War Veterans Allowances have been instituted since the last war, but the benefits of these allowances are restricted to a limited class, and necessarily so. A veteran must be totally and permanently incapacitated from earning his living in order to qualify. But it must be quite evident that there are thousands of veterans who, from time to time, are, and are going to be following the present war, temporarily incapacitated and these men look to the Canteen Fund for assistance for themselves and families. In addition cases are constantly arising where there is a present urgent need of dental treatment, provision of eye-glasses and assistance with special treatments which cannot be financed from a small salary and the aid of the Canteen Fund is necessary. (Note:—It is true that eye-glasses have been included in municipal relief but the applications are so many that applicants have to wait months before receiving attention.)

(d) To the suggestion that assistance in the education of veterans' children will not be needed I wish to enter a most emphatic dissent.

The statement cannot be refuted that many children are deprived of their opportunity of a fair and proper education because of their father's service during the war, both children born before the father's enlistment and children born after the father's completion of service.

Such children are entitled to a fair opportunity to attain a proper position in life and it is the duty of some authority to provide it. This obligation cannot be disposed of by the suggestion that:—

Since education is a provincial matter and the encouragement of talent by means of education would probably lie within the provincial sphere, it is doubtful whether scholarship projects should be included in objects to which the fund might be devoted.

It is true that "education is a provincial matter" so far as providing the facilities for education are concerned, but it is also equally true that no province in Canada also undertakes to pay the fees or purchase the supplies for pupils to enable them to take advantage of the facilities provided. In some municipalities the municipal authorities provide the text books for the primary grades but not for the secondary grades. But what about supplies and fees in the higher grades, what about an allowance to provide proper clothing for daughters of ex-service men in order that they may not feel ashamed to associate with other pupils? Where is such assistance to come from if not from the Canteen Fund, the Soldiers' Fund?

The Trustees of the Ontario Canteen Fund consider that the assistance towards the education of children of veterans has been their most important and most satisfactory activity and they anticipate that it will continue to be so as long as the fund lasts.

Paragraph 5, page 46:—

Government policy in respect to rehabilitation will always find it necessary to consider a large group, and it is always difficult to legislate for a small group or for out-of-line cases. However excellent legislative and administrative arrangements are, regulations are necessarily drafted with a view to restricting abuse and making it possible to bring the various items of public expenditure in this matter into broad categories. As a result of this there are to be found from time to time cases which cannot be fitted into the cadre of the regulations and a voluntary fund under careful stewardship is the most suitable expedient for taking care of these cases which fall through the meshes of government aid. Furthermore, public authorities find it difficult to spend money on experimental projects since, if they fail, they induce political consequences. It should be the aim, therefore, of voluntary efforts to pioneer in areas of reestablishment where it may be difficult for the government, in the initial stages, to frame a national policy. For example, it is hardly likely that the government could take special steps to assist a veteran returning to his occupation as a fisherman, to purchase a boat and fishing tackle in order to reestablish himself, and yet this may be precisely a field where a grant or a loan might enable an ex-service man to return promptly to his pre-war occupation.

This ties in with paragraph 4 on page 45. Primarily the responsibility for retraining and re-establishment rests on the Dominion Government. Experiments can undoubtedly be made by the administrators of voluntary funds. I have known of such experiments but have yet to see one which has been of very great benefit. But the Canteen Fund is not a voluntary fund donated by certain parties and open to use for such a purpose. It is a special fund created by the

men and administered in trust for them all. It is unwise, and I think unethical, to use any substantial part of it for an experiment the result of which would benefit only one class.

As for the suggested assistance to "a veteran returning to his occupation as a fisherman to purchase a boat and fishing tackle", this is no re-training or rehabilitation project. It is simply individual assistance such as was provided by the War Service Gratuity given to each man at the end of the last war. It is difficult to see how the Government could fail to establish a similar scheme at the conclusion of the present war.

On page 46 the General Advisory Committee makes its recommendations. I agree with paragraphs 1, 2, 3 and 4. These are simply recommendations regarding the protection and centralization of the fund during and at the close of the war.

Paragraph 5 recommends:—

That the custodianship, investment, control and disbursement of all such moneys made available for the welfare of ex-service men be administered under the authority of Act of Parliament and by a board of trustees properly constituted.

That appears to contemplate one board of trustees for the whole of Canada and should be considered in connection with certain recommendations in paragraph 6, page 47, as follows:—

(6) That the administration might consist of the following:—

(a) A Dominion Board of Trustees consisting of the Chief Justice of Canada; the Auditor General of Canada; the Governor of the Bank of Canada; the Minister of Pensions and National Health, and an elected president of a selected veteran organization; with provision for secretarial assistance.

(b) A Dominion Advisory Committee consisting of ex-service men representative of the three services and the Director of the Veterans' Welfare Division, Department of Pensions and National Health, to assist the Board of Trustees in framing policies.

(c) A District Advisory Committee in each administrative area served by the Department of Pensions and National Health, consisting of three members, two of whom should be service men of the present war with satisfactory service records, to report to the Dominion Advisory Committee.

The system recommended seems to me to be too cumbersome to produce satisfactory results. You are going to have the fund centralized in Ottawa with one board of trustees to administer it and authorize disbursements. Then you are going to have in Ottawa an advisory committee to advise the Board of Trustees and you are going to have in each departmental district an advisory committee to advise the central advisory committee what that committee should advise the Board of Trustees.

In practice that means that when a man in British Columbia or Nova Scotia applies to his district advisory committee for assistance in providing for an emergent operation the district advisory committee will forward the application to the Board of Trustees at Ottawa. The Board of Trustees will consult with the Dominion Advisory Committee and finally decide to make a grant. The cheque is made and mailed to the district advisory committee for transmission to the applicant, and in the meantime the patient requiring the emergent operation has probably died.

Rapid action is one of the principal requisites of such a fund as the Canteen Fund. A very large percentage of the applications are not made until the need is very urgent and, except in exceptional cases, there should not be an interval of more than two or three days between the filing of the application and communication of the decision to the applicant. For this reason I suggest very strongly that a provincial board with authority to deal immediately with applications, free from reference to a central board at Ottawa, and with authority and the means to render prompt financial assistance is the proper, logical and most satisfactory method of administration.

Then as to the suggested composition of the Dominion Board of Trustees, (Par. 6 (a), page 47), I am very doubtful of its efficacy. There would be imposed on four very important and busy men the duty of actively supervising the administration of a most important fund. I say you could not expect them to find the time to do it. They could not possibly give the time necessary to do justice either to their duties or themselves. And in addition there could be no assurance that all, or even a majority, of them would be ex-service men, and that is a very important consideration. The Canteen Fund should be administered by ex-service men who have served with the men to whom it belongs and who understand such men.

As for the one definite ex-service man included in the board as recommended, the "elected president of a selected veteran organization", he might live in New Brunswick or Alberta and would very seldom be able to render any service.

As for the recommended Dominion Advisory Committee (clause (B), page 47) and the District Advisory Committee (clause (C), page 47) these are part of the cumbersome organization dealt with above. I cannot see their usefulness. If it is decided that there should be a central board at Ottawa exercising ultimate authority there should be only one such board, no advisory committee, just the board of trustees, with a board in each province reporting to it.

Personally I am still of the opinion, following our discussions, that the fund could be ably administered for the benefit of the men by a board of trustees in each province reporting direct to, and under the supervision of, the Department of Pensions and National Health.

Clause (D), page 47 recommends that the secretary of each District Advisory Committee be the District Veterans Welfare Officer.

This is a matter to be decided by the conditions. It might appear that this officer will be pretty busy following the war in supervising the placement of veterans in positions.

Clause (E), page 47, suggests that the funds be disbursed by the Treasury Officer of the Department of Pensions and National Health.

This presupposes the complete disbursement of the fund from Ottawa with which suggestion I have already disagreed.

Clause (F), page 47, deals with the class of securities in which the fund should be invested. I quite agree that they should be confined to trust securities and preferably Dominion or Provincial bonds.

Then on page 47 immediately following clause (F) of paragraph 6 there is a paragraph which says:—

The primary purpose of the fund should be to encourage the civil re-establishment of ex-service men, and in view of past experience the board of trustees might consider disbursing a greater proportion of the funds in the immediate post-war years. Perhaps some form of terminable annuity could be used to amortize the amounts to be distributed so that the maximum amount could be made available in a limited period, exhausting the fund at a definite date. Since conditions in Canada have mate-

rially changed since the last war, owing to the acceptance of responsibility of public bodies for those in distress or unemployed, there is less need for conservation of large funds for indeterminate emergencies after a decade in respect of a specific group of the population.

I disagree entirely with the suggestion that the Canteen Fund should be used to assist in "the civil re-establishment of ex-service men". This is a definite responsibility of the Dominion Government. They assumed it after the last war, they took it over from the Ontario Government and applied it to the whole of Canada with splendid results, they acknowledge their responsibility when they provide pensions for men disabled by war service and the principle logically applies to men incapacitated by war service from resuming their pre-war occupations.

I feel that it would be a mistake for the trustees to "—consider disbursing a greater proportion of the funds in the immediate post-war years". It is a bold step to assume that the men to whom the fund belongs will not need assistance from it following the present war just as they did after the last war. I make bold to say that, notwithstanding any improvement in the living conditions of the people as a whole for which we are all hoping, there will still be thousands of cases where the aid of such a fund as the Canteen Fund will be of inestimable benefit to the veteran and his family. It would be a daring man who would take the responsibility of dissipating such a fund on the basis of hope alone.

Our experience has convinced us that the "acceptance of responsibility of public bodies for those in distress or unemployed" does not replace the assistance received by ex-service men from the Canteen Fund. We can rest on that rather optimistic view if we are prepared to say that the veteran should receive no greater consideration than the stay-at-home, that his fund, created from the money spent from his army pay, should be disbursed in a few years on schemes to benefit a comparatively small number, and that there should be nothing left from which he could receive some special consideration in a case of emergency.

The suggestion that a simple bequest formula be devised for inclusion in wills (page 47) is a good one and might save an amount of litigation. My own opinion in regard to bequests, however, is that they are more apt to go to some local body than to a Dominion organization. The average person when making a will is apt to have a parochial or provincial, rather than a Dominion viewpoint.

Then on page 47, near the bottom of the page, are set forth the committee's ideas of the objects to which the fund should be devoted which are dealt with as follows:—

Objects

The object to which the fund might be devoted, after examination of the many and varied objects suggested in connection with the use of Canteen Funds of the last war, should be clearly, though generally, stated as follows:

1. For the assistance of distress of ex-service men or of their families by loan or grants where adequate assistance is not available from Government or other sources.

It will be seen that that is exactly the same as two of the objects for which the Ontario Canteen Fund has been used, and also, I believe, the other Provincial Canteen Funds. If the Committee does not propose to include assistance in cases of distress resulting from unemployment, and in view of their reference to the "acceptance of responsibility by public bodies", on page 47 it is fair to assume that they do not, then they here recommend the use of the fund for two

of the purposes for which the present fund is used. With the provision that no assistance be granted in purely unemployment cases I quite agree with this recommendation.

Paragraph 2 (page 48):—

To assist in the reconditioning of ex-service men with a view to fitting them for civil employment if such a service is not available from any other source.

I disagree. This is a government responsibility and should be available from Governmental sources.

Paragraphs 3 and 4:—

3. For assistance by grant or loan in equipping or re-equipping ex-service men as tradesmen or small business men who by this means would be enabled to secure a livelihood.

4. For assisting ex-service men with limited grants or loans to engage in part time or whole time modest enterprise.

These recommendations might be put into effect if the fund is sufficiently large. They would require a very large fund. Following the last war the Soldiers' Aid Commission of Ontario, functioning as the representative of the Ontario Government, made loans and grants, for the exact purposes set forth above, in a period of five years, amounting in all the \$969,170.40. The loans amounted to \$741,963.93 of which sum approximately one-quarter was repaid. This left a direct outlay of \$783,000.00 in round figures for the purposes indicated. It will be seen, therefore, that to undertake such forms of assistance from a limited fund would result in the entire disbursement in a very few years and a very probable injustice to many men who would still need ordinary relief or educational assistance, and here again the question of a War Service Gratuity has to be considered.

Paragraph 5:—

To meet any emergency with which the Board of Trustees may deem it advisable to deal.

Subject to reasonable restrictions I agree with that. There should be a general outline of the fund's activities in the governing legislation but sufficiently broad to leave the administering board reasonable latitude.

COMMENTS

As a result of my experience in administering the Ontario Fund from the first Great War and my discussions with your committee I would like to make the following comments:—

1. A Canteen Fund such as resulted from the first Great War will be of incalculable benefit to the veterans of the present war.

2. It would appear, from the figures submitted to your Committee that unless a definite and vigorous policy is instituted the Canteen Fund at the end of the war will not be of sufficient amount to be of any practical benefit to the men.

(Note: Apparently the only substantial contributions to the fund at present are from the four auxiliary services, namely, the Canadian Legion War Service, Incorporated; the Salvation Army; the Knights of Columbus, and the Y.M.C.A., and up to the present time the total received from these sources amounts to only slightly over \$200,000.)

3. That the present organization of canteens is not adequate to provide a proper fund.

4. That unit canteen profits are being expended for purposes which are not really urgent or really as beneficial to the men as a large fund would be after the war.

5. That, if a really useful fund is to be established, the contributions from the four auxiliary services will have to be supplemented by a fair contribution from the unit canteens.

RECOMMENDATIONS

I am taking the liberty of making the following recommendations:—

1. That the establishment of a central canteen fund for all three services, for distribution after the war, be decided on.

2. That in addition to the contributions from the four auxiliary services a contribution of five per cent of the gross profits of all unit canteens in Canada and elsewhere be paid into the fund, starting at the earliest possible date.

3. That provision be made immediately for proper supervision and audit of all unit canteens.

4. That the fund, as it accumulates, be invested in trust securities until the close of the war.

5. That following the close of the war arrangements be made for the administration of the fund for the benefit of the veterans of the present war and their dependents.

6. That administration and disbursement of the fund be entrusted to Provincial Boards of Trustees,—

- (a) either under Dominion authority or
- (b) under provincial authority.

7. That the fund be allotted to the provinces on the basis of percentage of enlistment for war service, either

- (a) Directly allotted to the Provincial Board, or
- (b) By appropriations from time to time from a central authority.

8. That the Provincial Boards have full authority to deal with applications for assistance and make disbursements subject to a general supervision by the central authority.

9. That there be a central authority over the fund situated at Ottawa consisting of either

- (a) The Minister of Pensions and National Health (recommended), or
- (b) A Dominion Board of Trustees to supervise the operations of the Provincial Boards.

10. That all boards of trustees consist of at least five members, the majority to be ex-service men of the present war, and to serve without remuneration.

11. That the act setting up the method of administering the fund specify:—

- (a) The class of securities in which the fund can be invested;
- (b) The purposes to which the fund shall be devoted.

12. That there be included in the purposes for which the fund may be used assistance in the education of children of veterans, relief of distress amongst veterans and their dependents where such distress is the result of illness and provision of dental treatment and furnishing eyeglasses for veterans and their dependents.

13. That the act provide for proper and efficient supervision and audit of the Provincial Boards.

Respectfully submitted,

ALEX. C. LEWIS,

Secretary-Treasurer,

Ontario Canteen Fund.

APPENDIX "B"

THE CANADIAN LEGION OF THE BRITISH EMPIRE SERVICE LEAGUE

DOMINION COMMAND

OTTAWA, CANADA, June 27, 1942.

Mr. W. R. Macdonald, B.A., K.C., M.P.,
Chairman, Special Committee on Canteen Funds,
House of Commons,
Ottawa.

Dear Mr. Macdonald:

During the discussion which followed the Legion Presentation to your Committee on Thursday, June 18, regarding Canteen Funds some points were raised regarding which we would like to make a further statement.

1. Canteen profits are accumulated as the result of purchases made by service men while they are actually serving. It is obvious, therefore, that unless the funds can all be distributed before demobilization discharged men will represent the largest proportion of persons entitled to consideration in the disbursement of the remaining funds. We are strongly of the opinion that, as far as possible, the men who accumulate the funds should determine to what use they shall be put.

2. There are three ways in which the funds can be disposed of while the men are still serving:—

1. A distribution of the profits by means of reduced prices,
2. The purchase of equipment, supplies and services,
3. A distribution of cash, as soon as sufficient funds are available, to the members of the units holding the funds.

3. Notwithstanding efforts to dispose of the profits while the men are serving, it is almost certain that there will remain various amounts to be disposed of after demobilization. During the last war, distribution of canteen profits did not take place until 1927. We believe that, if a fund is again made available, such a long delay should not occur in disposing of it.

4. If the principle that the funds should be as widely distributed as possible among those who accumulated them is accepted, it follows that whatever measures are adopted at the close of the war must take into consideration the rights of discharged men. If the proposal to augment separate Benevolent Funds for each arm of the service is adopted, provision would have to be made for dealing with the claims of discharged men. While we can expect that permanent force establishments of considerable size will be maintained after the war, yet their numbers will represent only a small portion of those who helped create the Benevolent Funds that will remain in their hands. Looking at the matter from an ex-service point of view, there would undoubtedly be great dissatisfaction if any considerable funds were accumulated and were being used solely for the permanent force establishments.

5. Already there are some 50,000 ex-service men in Canada who, at one time or another, spent money in Canteens but at present can receive no benefits from the funds so far accumulated. The Legion has dealt with many cases among this group, where immediate assistance has been necessary, notwithstanding the rehabilitation measures which are now in effect. The Legion does its best to help such cases through the Poppy Fund or from other sources.

6. Questions were asked regarding the use to which funds accumulated after the War could be put. First we direct attention to the needs of men already discharged. While undoubtedly it is the desire and intention of the people of Canada and Parliament to create post-war conditions in which relief, as we have known it, shall no longer exist and while we shall always take the stand that Government rehabilitation measures will be inadequate if relief has to be given to any very large number of discharged men, nevertheless we also know from experience that, with the best intentions in the world, human ingenuity is not always equal to devising regulations to cover each and every individual case. This condition already exists in regard to the dependents of men now serving. A Dependents' Fund has been created by the Government to deal with special classes. It can be assumed that, if any substantial funds remain from Canteen profits, they can undoubtedly be put to good use in the post-war period.

7. As for the schemes which can be adopted and the use to which these funds can be put, a considerable list has already been submitted to the Committee both by the Legion and those found on pages 41 to 45 of the Minutes of the Proceedings, all of which are worthy. No doubt, other suggestions of varying character could be added, but it is our belief that unless some of this money is to be made available immediately for cases of need among discharged men, as they occur, then decision as to the most appropriate manner of distributing the funds should be left until we have a better appreciation of the conditions which will exist when the war is over. As previously stated, it is not likely that accumulated funds will be immediately available when Peace is declared; and while we hope it will not take nine years to bring the various funds together, no doubt some time will elapse before this is accomplished.

8. In making our representations, it should be understood that the Legion does not intend to suggest that funds now accumulated by the Royal Canadian Navy or the R.C.A.F. should be removed from present control. They are well established and serving a useful purpose. The only point to be considered is what is a fair amount of Canteen profits to be allotted to them, having in mind the objectives and the, if we may use the word, "clientele" they serve. If the beneficiaries are solely those remaining in the Service or the dependents of those who were killed in action, then obviously the field would not be wide enough during the post-war period, if the principle is accepted that those who create the fund are thereby entitled to become its beneficiaries.

9. The following is an extract from the White Paper of 1922 (War Service Canteens. Disposal of Surplus Funds) indicating the final allocation of Canteen profits in the United Kingdom after the last war:—

A total sum of profits and rebates has been made available of £16,097,347.9.2 of which £6,584,100.9.9 was distributed as rebates to units, £2,312,692.3.7 has been, or will be, expended in various benefits for British, Dominion, Indian and United States Forces, and to the British Navy, leaving £7,200,554.15.10 which has been and will be paid to the United Services Fund for the benefit of ex-service men.

It will be seen that, in spite of the fact that considerable amounts were distributed to units and to the British Navy, a very substantial sum was left. We understand that the bulk of this sum was accumulated in a comparatively short time. Whether or not any substantial amounts will remain at the close of this war, no one can tell at the moment unless some method of immediate distribution as the funds accumulate is adopted. In such circumstances, there will be no large amounts available after the war.

In correspondence with the British Legion as to the disposal of Canteen profits of this war, they have replied as follows:—

Our information at present is that there will be no Canteen profits for distribution at the end of this war. Substantial rebates are now being made to Service Units for welfare and other purposes that it is unlikely there will be any surplus of funds.

Whether this conclusion has been reached because of the manner of present distribution or because the operation of the NAAFI Canteens make an accumulation of profits impossible, we have no information, but it is quite likely that NAAFI has been sustaining losses in connection with the operations in France and Libya and the fall of Hong Kong and Singapore. However, since the Canteen business runs into millions of pounds, there is a possibility of considerable profits occurring if the war is to last several years and heavy losses are not sustained.

In making its representations to the committee, the Legion has endeavoured to be helpful to all concerned in reaching sound conclusions. We are conscious that the funds we have been discussing are being accumulated by the fighting man of the present war, and it is our hope that nothing we have said will be construed as an indication that the fighting man of the last war is attempting to tell those of this war how they should dispose of their money.

Yours sincerely,

J. C. G. HERWIG,
Acting General Secretary.

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SESSION 1942

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

CANTEEN FUNDS

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

Tuesday, July 14, 1942

Tuesday, July 21, 1942

Including the Fourth Report to the House

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



ERRATA

The name of Paymaster Captain J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet, should be added to the names of those who are shown as in attendance on Thursday, June 18, 1942.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS, ROOM 277,

TUESDAY, July 14, 1942.

The Special Committee appointed to deal with the disposition of Canteen Funds met this day at 11 o'clock a.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Abbott, Black (*Yukon*), Castleden, Cruickshank, Emmerson, Fauteux, Ferron, Gillis, Graham, Green, Macdonald (*Brantford City*), MacKenzie (*Neepawa*), McCuaig, McLean (*Simcoe East*), Marshall, Ross (*Souris*), Sanderson, Whitman.

In opening the proceedings, the Chairman gave communication of a letter he had received from Mr. Richard Myers, Honorary Dominion Secretary of the War Amputations of Canada, drawing attention of the Committee to the Association's submission with respect to Canteen Funds, contained at pages 494-497 of the printed report of the Special Committee of the House, in 1941, on Pension and War Veterans' Allowance Act. On motion of Mr. Cruickshank it was agreed that a mimeograph copy of the said submission be distributed to each member of the Committee.

The Committee then continued its deliberations in camera to consider the evidence submitted and the Report to the House.

On motion of Mr. Abbott, seconded by Mr. Whitman, it was agreed that a subcommittee be formed to prepare a draft-report to the House to be submitted to the Committee for consideration at a subsequent sitting. The said subcommittee to be composed, in addition to the Chairman, of the following members:—

Mr. Blanchette
Mr. Cruickshank
Mr. Gillis
Mr. Green
Mr. Isnor
Mr. Marshall.

The Committee instructed the Clerk to enquire about the production of the financial statement ordered May 19th., with respect to the operations of canteens by the Auxiliary Services organizations in the United Kingdom.

At 12.30 o'clock p.m., the Committee adjourned to meet again at the call of the Chair.

HOUSE OF COMMONS, ROOM 277,

TUESDAY, July 21, 1941.

The Committee met this day at 1.45 o'clock p.m. The Chairman, Mr. W. Ross Macdonald (*Brantford City*), presided.

Members present: Messrs. Abbott, Castleden, Claxton, Cruickshank, Emmerson, Ferron, Gillis, Gray, Green, Isnor, Macdonald (*Brantford City*), MacKenzie (*Neepawa*), McCuaig, McLean (*Simcoe East*), Marshall, Ross (*Middlesex East*), Ross (*Souris*), Turgeon, Whitman, Wright.

The Committee sat in camera to consider the draft-report presented by the subcommittee appointed at the previous sitting. The Chairman indicated that the Subcommittee had held 5 sittings and that it was now submitting a proposal of Report to the House, agreed to in principle by the Subcommittee, for the consideration of the Committee.

The Committee considered the draft-report clause by clause and after a few suggested changes which were adopted, on motion of Mr. Turgeon, the report was finally adopted as amended and it was agreed that the Chairman should present the Fourth Report of the Committee to the House.

Mr. Emmerson moved, seconded by Mr. Green, that a vote of thanks be tendered to the Chairman. In expressing his gratitude, the Chairman alluded to the fact that the fifty-six members of the Committee are all returned men of the last war, that fourteen of them are serving in the present war, that more than thirty members had attended the sittings regularly; and that, under the circumstances, the interests of the fighting forces had been well protected.

At 3.00 o'clock p.m. the Committee adjourned *sine die*.

ANTOINE CHASSÉ,
Clerk of the Committee.

REPORT TO THE HOUSE

WEDNESDAY, July 22, 1942.

The Special Committee on Canteen Funds begs leave to present the following as a

FOURTH REPORT

Pursuant to the Order of Reference of the House of Tuesday, 24th March, 1942, your Committee has enquired into (a) the collection, custody, investment and control of such monies as under existing regulations accrue out of the profits arising from the operation of canteens and other Auxiliary Services organizations and institutes for the benefit of the Armed Forces of Canada during the present war; (b) whether certain portions of the profits arising from canteens other than the portion of profits for which provision is now made should be paid to the Government of Canada; and, (c) the policy and method of management to be adopted in the utilization of the said funds for the benefit of those who have served in His Majesty's naval, military or air forces of Canada and for the benefit of the dependents of such persons.

Your Committee has, since 30th April, held 14 sittings devoted entirely to the consideration of the aforesaid questions.

Under the first head of its enquiry the Committee received evidence and examined the following witnesses, namely: Lt.-Col. J. A. de Lalanne, M.C., President of the Regimental Funds Board; Colonel E. A. Deacon and Lt.-Col. A. Cairns, director and assistant respectively of Auxiliary Services; Paymaster-Captain J. O. Cossette, R.C.N., Deputy Judge Advocate of the Fleet; Group Captain J. M. Murray, Deputy Air Member for Accounts and Finance and Flight-Lieutenant J. M. Wynn of the R.C.A.F.; Mr. J. L. Apedaile, Financial Adviser for Civil Flying Schools and Mr. H. G. Norman, Financial Adviser for the British Commonwealth Air Training Plan.

A number of financial statements, showing the sales, the operating expenses and the profits derived from the operations of canteens indicating also the disposition of such profits, together with specimen books and forms provided for the use of the units and formations were filed with the Committee.

Under the second and third heads of its enquiry submissions were received from Mr. J. C. G. Herwig, acting General Secretary, on behalf of the Canadian Legion, B.E.S.L. and from Major Alex. C. Lewis, K.C., Secretary-Treasurer of the Ontario Canteen Funds Trustees and both these representatives were called and examined by the Committee. A submission on behalf of the War Amputations of Canada, by Mr. Richard Myers, Honorary Dominion Secretary, addressed to the Secretary of the Canteen Committee of the Department of National Defence was also considered.

A review was also made of the utilization and administration of canteen funds by the various provincial boards of trustees after the First Great War and in this connection evidence was obtained from Major Alex. C. Lewis, aforesaid, and from Mr. A. J. Dixon, Chairman of the Sub-committee on Administration of Special Funds.

In order that its enquiry might be thorough, your Committee deemed it advisable to procure the personal and direct viewpoint of the men who serve in the ranks of the three branches of the Service on the subject-matter of the operation of canteen and disposition of profits derived therefrom. Accordingly, each branch of the Service was invited to select a representative of the "other ranks" to appear before the Committee. The following representatives, chosen by the other ranks in their respective branches were examined, namely:

Chief Petty Officer R. D. Blofield, R.C.N.; Corporal B. Lefebvre, Royal 22nd Regiment and Corporal A. McCaig, R.C.A.F. The information and advice so obtained were most valuable to your Committee in its labours.

Certain Orders in Council were filed with the Committee, namely: P.C. 7520 of 21st December, 1940; P.C. 224 of 13th January, 1941; P.C. 1087 of 14th February, 1941; P.C. 1959 of 24th March, 1941, together with the Report and Recommendations of the Special Committee on Canteen Funds dated 30th August, 1941, and the interim Report of the Subcommittee on the Administration of Special Funds of the General Advisory Committee on Demobilization and Rehabilitation, Also, P.C. 7/3183 of 21st April, 1942. The Committee had also before it Order in Council P.C. 60/3404 of 24th July, 1940, with the Memorandum of Agreement between His Majesty the King and the following Auxiliary Services organizations, namely: Young Men's Christian Association, Salvation Army, Knights of Columbus and Canadian Legion War Services, Inc., also Chap. 34 (1925), An Act respecting the disposal of the Canteen Funds and Chap. 14 (1928), An Act respecting the disposal of certain Canteen Funds. Your Committee also examined General Order No. 40 (1940), creating the Regimental Funds Board, also the Air Force Administrative Order issued 31st October, 1941, relating to the Royal Canadian Air Force Benevolent Fund.

From the evidence submitted to the Committee it would appear that the establishment of canteens in the armed forces is on the following basis:—

IN CANADA

ARMY

Canteens operated by the Auxiliary Services Organizations

Five per centum (5%) of the gross receipts from these canteens is given to the unit commanders; two per centum (2%) is retained for overhead expenses by the Auxiliary Services organizations operating the canteens and the net profits, after the above payments and other expenses, are sent to the Receiver-General of Canada. It is to be noted that the amount held by the Receiver-General as of the 30th of April, 1942, was \$212,662.82, all of which was paid by the Auxiliary Services organizations with the exception of the sum of \$3,035.96 which was paid by regimental units and is credited to sundry deposits. It is also to be noted that the total sales by the canteens operated by the Auxiliary Services organizations up to the 31st of December, 1941, was \$5,420,491.25.

Canteens operated by Units and Formations

All profits from these canteens are retained by the units and no percentage whatsoever is paid to a central fund. The books of the units are audited by the unit audit boards and financial statements are submitted regularly to the Regimental Funds Board through its representatives on military district staffs. These district audit officers also make occasional inspections of the units' accounts but do not make regular nor continuous audits. It is to be noted that the total sales at these canteens up to the 31st of December, 1941, amounted to \$11,607,676.25, and showed a net profit of \$1,752,756.02, being 15.1% of the sales, which speaks well for the operation and management of these canteens. The units use the profits for the general welfare of the men in each unit.

NAVY

Canteens are not operated by the Auxiliary Services organizations, on ships nor at naval bases, with the exception of the canteen operated at St. Johns, Newfoundland. Naval canteens are operated by the Navy at Halifax, Sydney,

St. John and Esquimalt. The total sales at these four canteens up to the 31st of March, 1942, amount to \$771,177.48. The profits from the last four mentioned canteens are retained at the Naval Centres, but it is customary for the Centres to pay a small percentage voluntarily into the Royal Canadian Navy Benevolent Fund. The accounts are audited locally and a copy of the report is filed at Naval Headquarters. Canteens are also operated on certain ships of the Royal Canadian Navy. The turnover on the ship canteens is small and the administration, together with the disposition of the profits, is under the absolute control of the ship's crew.

AIR FORCE

The Auxiliary Services organizations do not operate canteens at R.C.A.F. stations with the exception only of the canteen operated at the Manning Depot, Toronto, but this canteen is now in the process of being taken over by the R.C.A.F. When this is done all canteens at R.C.A.F. stations will be operated by the R.C.A.F. One per centum (1%) of the gross sales from these station canteens is paid to the Royal Canadian Air Force Benevolent Fund. The balance of the profits is retained by the station and is deposited in a chartered bank and is used for the benefit of the station where the profit is made. It is to be noted that the total sales at the canteens operated by the R.C.A.F. up to the 31st of December, 1941, amount to \$6,453,148.11. The Canteen accounts of each station are audited quarterly by a local audit board appointed by the commanding officer at each station. This report is subject to further audit by Command Headquarters which is in turn subject to further audit by Air Force Headquarters.

CIVIL FLYING SCHOOLS

When these schools were established canteen privileges were let by tender to private organizations. This practice is being discontinued in all such schools and as the contracts expire the schools take over the operation of the canteens. One per centum (1%) of the gross sales is paid to the R.C.A.F. Benevolent Fund and the balance is retained at the schools to provide benefits for personnel. It is to be noted that the gross sales at these schools up to May 1942 amounted to \$572,526.44. The accounts at the Civil Flying Schools are audited regularly by the auditor of the company operating the school.

OVERSEAS

Navy, Army and Air Force Institutes (N.A.A.F.I.)

A civil organization known as Navy, Army and Air Force Institutes (N.A.A.F.I.) operates canteens in established encampments areas in the United Kingdom. Six per cent (6%) of the gross sales at these canteens is paid to the units served by such canteens and is retained for the benefit of the men in these units. Total sales in Canadian encampment N.A.A.F.I. canteens up to April, 1941, amounted to 306,588 pounds sterling; total rebates to units on these sales being 18,396 pounds sterling, together with an additional amount of 3,876 pounds sterling as a rebate on purchases for messing. No agreement nor other statement was available to the Committee to show whether or not there were any further profits in which Canada might be entitled to share.

The Auxiliary Services Organizations

The four Auxiliary Services organizations operate canteens in the United Kingdom. No agreement has been made with these organizations in the United Kingdom similar to the one under which they operate in Canada. Each organi-

zation does, however, submit a statement to the Director of Auxiliary Services of the operations of its canteens. The profits, if any, from the canteens are used by the Auxiliary Services organizations for the benefit of the armed forces overseas. From the statements filed with the Committee it would appear that the Salvation Army is operating at a considerable loss in the United Kingdom, while the other organizations have only a small margin of profit. The loss and small margin of profit is due to the fact that the Auxiliary Services organizations make a general distribution of food, beverages, sports equipment and general welfare services amongst the armed forces overseas.

Canadian Units and Formations

Canadian units and formations operate their own canteens at operational areas where N.A.A.F.I. canteens are not established. The last return from these canteens shows monthly total sales of 10,818 pounds sterling with an average monthly net profit of 1,442 pounds sterling. Profits from these canteens are retained by the units and the accounts are subject to audit by appropriate officers at Military Headquarters overseas.

To Summarize the Above it can be said that the net profits from the canteens operated in Canada by the Auxiliary Services organizations are being paid to the Receiver General of Canada and no interest has as yet been credited to same. All other profits from canteens in Canada are retained by the unit operating the canteen with the exception of the payment of 1 per cent of gross sales from R.C.A.F. canteens to the R.C.A.F. Benevolent Fund and voluntary donations from Naval canteens to the Royal Canadian Navy Benevolent Fund.

Profits from canteens operated by the Auxiliary Services organizations in the United Kingdom are retained by the Auxiliary Services organizations and used for the benefit of the Armed Forces in the United Kingdom.

Profits from canteens operated by units now overseas are retained by the units for the benefit of their members and 6 per cent of the gross sales from N.A.A.F.I. canteens is paid to the units served by such canteens for the benefit of the men of these units.

CONCLUSIONS AND RECOMMENDATIONS

The question now arises whether the above arrangement should be disturbed and whether any further provisions should be made for the supervision and the control of the profits. From the evidence presented to the Committee it is apparent that the Auxiliary Services canteens and the unit and formation canteens are generally speaking being operated in an efficient and business-like manner and your Committee feels that high praise should be given to all ranks and to all officials who have set up and who are responsible for the efficient operation and supervision of the canteens. The recommendations of your Committee will be in the nature of suggestions designed to assist in maintaining this high standard of efficient operation and supervision and also to make absolutely sure that the profits derived from canteens and not now being spent for the benefit and comfort of the members of the armed forces, will be secured for them so they will be certain to get the benefit of them when the war is over.

Policy Respecting Canteen Profits

With respect to profits, however, your Committee desires to emphasize that it is definitely of the opinion that the building up of large surplus funds from the operation of canteens should be discouraged. While every effort should be made to maintain the efficient and economical operation of the can-

teens in order to give a maximum service to the armed forces, it must always be remembered that the purpose of canteens is to give service now and not to create profits for the future. The policy governing operation should be to keep prices at a minimum so that those patronizing the canteens will get the full benefit from them and any profits that are incidental to the operation of the canteens should as far as possible be distributed by way of additional comforts and services to the members of the armed forces while they are still in the service, and your Committee strongly recommends that such a policy should be adopted. The cost of re-establishing and providing for the discharged members of the forces should be a charge on the revenues of the whole nation and not on the profits accumulated from canteen sales.

Control and Supervision of Profits by a Central Supervisory Board

Active service conditions have created numbers of service establishments which are quite different in many cases from self-contained and perpetuating units of peace time. The number of institutions operating under various conditions has increased and the volume of business has grown and will grow to considerable magnitude. In many cases, substantial amounts of cash are accumulating which are held locally. Your Committee, while of the opinion that the accumulation of unused moneys not likely to be required for the immediate welfare of the armed forces in many scattered local points is not desirable, nevertheless does not feel that units should be forced to pay its surplus funds into a centrally controlled fund. Your Committee does, however, feel that strict supervision by way of frequent and regular audit should be maintained by a controlled authority over these surplus funds. While the Army and Air Force maintain a system of audit and supervision in accordance with their regulations there are many grounds which point to the desirability of some centralized system of audit for the three branches of the service and more especially in regard to the unexpended moneys.

It is, therefore, recommended that a Central Supervisory Board be formed with the following functions:—

- (a) To be trustees of all moneys forwarded to the Minister of National Defence by the Auxiliary Services organizations and also of surplus funds from canteens which may, from time to time, be forwarded from units or otherwise to the Dominion Government.
- (b) To audit the canteens accounts and the accumulation of surplus funds in the hands of local canteens and/or trustees and actually to visit regularly and frequently the units and trustees for that purpose.
- (c) To advise as to the type and amount of expenditures out of profits which should be made locally so that similar benefits will accrue to members in all three branches of the service.
- (d) To study and advise upon methods of administration and recommend economies or improved facilities such as centralized buying, standardization of equipment, etc., and to explore the desirability or otherwise of complete centralization of operation.
- (e) To authorize loans if desirable to assist in the establishment of canteens or recreational facilities in newly formed stations.
- (f) To maintain close liaison between the canteen operations and control in the three service departments with a view to securing uniformity of policy and practice.
- (g) To perform such other duties in connection with canteen operations and control as the Governor in Council shall from time to time direct.

Your Committee recommends that a majority of the members of the proposed Board should be discharged members of the Armed Forces who have served in the ranks during the present war.

Royal Canadian Air Force Benevolent Fund

Your Committee has examined the Air Force Administrative Order of the Royal Canadian Air Force Benevolent Fund and has noticed that neither officers nor other ranks now serving in the Royal Canadian Air Force will be eligible after discharge for assistance from the fund. This fund was started in peace time with the very laudable object of assisting Air Force personnel while in the service. However, with the great increase in numbers many Air Force canteens having large gross sales have been established. Should the war continue for a few years longer and should 1 per cent of the gross sales continue to be paid to the Benevolent Fund, it is certain that a very substantial sum will have accumulated—a sum much greater than is likely to be required for the benevolent purposes of even a greatly enlarged peace time air force. It is not fair to take a portion of the gross sales from the canteens which are now being patronized by those who are not likely to be in the Force after the close of hostilities unless they will be entitled to the same benefits from the fund as those who remain in the Force. Your Committee, therefore, recommends that no further payments be made to the R.C.A.F. Benevolent Fund until it is provided that all ranks now serving in the Royal Canadian Air Force will be eligible for the benefits both during service and after discharge.

Royal Canadian Navy Benevolent Fund

As stated heretofore the Royal Canadian Navy also has a Benevolent Fund which was established in peace time and like the Air Force Benevolent Fund has and is now serving a very useful purpose. However, there does not appear to be any Naval administrative nor other order by which this fund is operated or controlled and although it appears that it has been well administered, nevertheless your Committee recommends that no further contribution from canteen funds should be paid into the fund unless a definite order has been made with respect to the fund which order should, amongst other things, provide that all ranks now serving in the Navy will be entitled to the benefits of the fund both during service and after discharge.

Navy, Army and Air Force Institutes (N.A.A.F.I.) . . .

Your Committee endeavoured to obtain a copy of the agreement under which N.A.A.F.I. operates canteens at Canadian encampment areas overseas and it appears that no such agreement has been entered into. Apparently N.A.A.F.I. submits a statement of the gross sales and pays 6 per cent of same to the units where the canteens are operated. The actual profits may or may not be more than this percentage but in any event no statement with regard to the said profits is rendered. Also, no consolidated balance sheet is submitted showing the complete operation of N.A.A.F.I. nor is there any way of knowing to what extent, if any, Canada is entitled to share in its general profits. The only statement filed with the Committee was one dated April, 1941, showing gross sales with rebates, etc., and although more than a year has elapsed since then your Committee was not able to obtain a more recent statement. Your Committee, therefore, recommends that regular statements be obtained from N.A.A.F.I., not only respecting operations of canteens at Canadian encampments, but respecting operations generally so that Canadian troops overseas will know whether or not they are entitled to share in additional profits of N.A.A.F.I. Your Committee further recommends that a definite agreement be entered into between Canada and N.A.A.F.I. respecting the operation of, and

payment of gross sales from, canteens at Canadian encampments and also with respect to Canada's share in the distribution of profits, if any, derived from the operation generally of the canteens of that organization.

Investment of Funds in Dominion of Canada Securities

The question of the nature of the securities in which surplus canteen funds should be invested was carefully considered by your Committee and, having in mind certain losses which occurred through the improvident investment of a portion of the canteen funds of the First Great War, your Committee is of the opinion and would recommend that no surplus canteen funds should be invested in any securities other than securities of the Government of the Dominion of Canada.

Separate Funds for the Three Branches of the Service

Your Committee has given careful study to the question of the establishment of one fund or the establishment of three separate funds representing the amounts paid by the three branches of the Service. After careful consideration your Committee would recommend that the moneys paid to the central fund by each of the three services be earmarked for the benefit of the members of the respective service paying the moneys.

Disposition of Units' and Formations' Canteen Fund on Demobilization

Immediately upon the closing of the canteen, either during or upon cessation of hostilities, units and formations should be required to pay forthwith all canteen moneys then on hand to the Central Supervisory Board. Great care should be taken to make sure that these moneys are so paid.

Provincial Boards to Assist Central Supervisory Board

At the close of the war or, should conditions warrant it, at an earlier date, arrangements should be made for the administration of the fund for the veterans of the present war and their dependents. Your Committee recommends that, in order to facilitate administration provincial boards under the control and supervision of the Central Supervisory Board be set up in each province, but instead of allocating to each board a specific portion of such fund, each board receive only advances from time to time according to need and subject to proper accounts. It is also recommended that the funds held by the Central Supervisory Board and the Provincial boards be subject to regular audit by the Auditor General of Canada.

Utilization of Canteen Surplus Funds After the War

The question of ultimate disposal of canteen surplus funds remaining after the war, either from unexpended profits or from salvage of stock and equipment, is one which requires further and intensive study before precise policies can be laid down. The Board, hereinbefore suggested, could, within the general principle that the funds must be used for the benefit of ex-service men and women and their dependents, give careful study to such proposals and plans and report the results to future Committees of the House for consideration before final recommendation is made to Parliament. In the meantime the Board should have the same powers as the present provincial canteen funds trustees with respect to applications by men and women who are returned to civil life before the termination of the war or by the dependents of such persons.

A copy of the printed evidence taken is herewith tabled.

All of which is respectfully submitted,

W. ROSS MACDONALD,

Chairman.

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